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U.S. Department
of Transportation

**National Highway
Traffic Safety
Administration**

DEPT. OF TRANSPORTATION
DOCKETS

2004 JUN -3 A 11: 00

Memorandum

Subject: ACTION: Submittal to Docket No. NHTSA 2002-13847;-18
CY 1998 Annual Insurer Report Pursuant to Section 612 of the Motor Vehicle Theft Law Enforcement Act of 1984

Date: MAY 27 2004

From: Rosalind R. Proctor
Chief, Consumer Standards Division

Reply to
Attn. of:

To: U. S. Department of Transportation Dockets

THRU: Julie Abraham, Director
International Policy, Fuel Economy and
Consumer Programs

Jackie Glassman
Chief Counsel

Please submit to the docket, the CY 1998 annual insurer report on motor vehicle theft. This report is comprised of motor vehicle theft and recovery data, and comprehensive insurance data for calendar year (CY) 1998. This report is published pursuant to Title 49 of the United States Code, Section 33112(h). This section states that the Secretary (NHTSA) shall periodically compile and publish the information obtained under the insurer reporting requirements of 49 CFR Part 544 (Insurer Reporting Requirements). Section 33112(c) also identifies what should be reported by the subject insurers. These reports follow that format. The information provided is intended to be helpful to the public, the law enforcement community, and the Congress.

The CY 1998 report is accompanied by Appendices A through G, which are quite voluminous in nature. To review the Appendices to these reports before their submittal to docket, please see Carlita Ballard or Rosalind Proctor in Room 5320.

Attachment

KLD ASSOCIATES, INC.

INNOVATION IN TRANSPORTATION

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TEL: (631) 543-6500 x 214 FAX: (631) 543-4330 email: myedlin@kldassociates.com *www.kldassociates.com*

May 5, 2004

Ms. Carlita Ballard
COTR
DOT/NHTSA
400 Seventh Street, SW
Room 5320
Washington, DC 20590

RE: Submission of New Revised Report for 1998 Reporting Period, Contract DTNH22-02-C-02032

Dear Ms. Ballard:

We have incorporated the changes indicated in your fax of April 22, and enclosed three (3) copies of our revised report for the 1998 Insurer Reporting Period. The revisions involve the main body of the report only. Therefore we did not resubmit the Appendices.

As always, it is a pleasure serving the needs of the National Highway Traffic Safety Administration.

Sincerely,

Mark Yedlin

Mark Yedlin
Principal Investigator

cc: Janice Flemming
Enc.

KLD ASSOCIATES, INC.

INNOVATION IN TRANSPORTATION

Analysis of Insurer Reports Received Pursuant to Section 33112 of the Title 49 of the United States Code

1998 Reporting Period

Annual Report

Prepared for

National Highway Traffic Safety Administration
Washington, D.C. 20590

Under Contract DTNH22-95-C-02029

Prepared by

KLD Associates, Inc.
47 Mall Drive, Suite 8
Commack, NY 11725

April 2004 ***TR-372***

EXECUTIVE SUMMARY

During the period from about 1960 to 1980, a growing market for stolen automotive parts led to a substantial increase in the number of vehicles which were stolen and dismantled for their parts. To address this problem, Congress enacted the Motor Vehicle Theft Law Enforcement Act of 1984 (Public Law 98-547).

This legislation added a new Title VI to the Motor Vehicle Information and Cost Savings Act which required automobile manufacturers and manufacturers of replacement parts to affix or inscribe a unique identification number on major vehicle components. This parts-marking requirement has been in effect since model year 1987 and applies to designated car lines with high theft rates. In 1994, Congress repealed the Motor Vehicle Information Cost Savings Act and recodified it as Chapter 331 of Title 49 of the United States Code.

The marking of parts is intended to facilitate law enforcement efforts to trace and recover stolen vehicles and parts as well as arrest and prosecute the criminals responsible. The increased likelihood of arrest and punishment is also meant to serve as a deterrent to auto thieves.

The legislation also requires the Department of Transportation to evaluate the effectiveness of the parts-marking program and to provide information to the public, the law enforcement community and the Congress on the thefts and recoveries of motor vehicles. To support this effort, the legislation also requires larger insurance, rental and leasing companies to submit annual reports to the Department of Transportation. Each year insurer reports are filed for the calendar year three years earlier than the year the report is filed. These reports include information on the theft and recovery of vehicles; ratings, rules and plans used by insurers to reduce premiums due to a reduction in motor vehicle thefts; and actions taken by insurers to assist in deterring thefts.

Reports were submitted by 26 insurance companies and 4 rental and leasing companies for the 1998 reporting period. Vehicle theft and recovery data was received from the Insurance Services Office (ISO) for some of the insurers. These 26 insurance companies reported that:

- 363,929 claims were filed during 1998 as a result of the vehicle theft of a motor vehicle, its contents or components.
- These claims resulted in insurer payments to policyholders in excess of $1.20 billion.
- Information furnished by the ISO for some of the insurers indicated that approximately 92,000 model year 1995-1999 vehicles insured by these companies, were stolen during 1998. 13,881 vehicles or 15 percent of these stolen vehicles were recovered during 1998

These 92,000 vehicle thefts of 1995-1999 vehicles are a subset of the 363,929 thefts of contents or vehicles of any model year estimated from 26 insurers.

The information obtained shows that motor vehicle theft continues to be a major cause of insurer comprehensive losses in 1998. Eighty-seven percent of stolen vehicles were either not recovered in 1998 or were recovered with major vehicle components missing.

Most insurers reported that they do not assess any surcharge or premium penalty to insure vehicles with high theft rates. Many companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when total comprehensive losses or combined comprehensive and collision losses are reduced for the territory. Thus, while parts marking offers the potential to reduce insurer theft losses, resulting rate reductions would not often be targeted solely to the lines responsible. Thus, benefits of the marking program can be expected to be dispersed to provide lower insurance premiums for lines both with and without marked parts.

The completeness of the data is addressed in Table 4. Problems of data accuracy have been indicated when apparent discrepancies appear or when data responses do not conform to the question. These latter are notated in many of the tables in the report.

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1. INTRODUCTION

This report was prepared by KLD Associates, Inc. for the National Highway Traffic Safety Administration (NHTSA) under Contract DTNH22-95-C-02029, for the 1998 insurer reporting period.

This work was performed as part of NHTSA's continuing annual effort to present information to the public, law enforcement community and the Congress pertaining to thefts and recoveries of insured motor vehicles and the premiums charged for comprehensive coverage. This information is intended to assist efforts to alleviate the nationwide problem of motor vehicle theft and to provide information to assist in evaluating the effectiveness of the theft deterrent provisions of Chapter 331 of Title 49 of the United States Code (USC).

The information contained herein was furnished by insurance, rental and leasing companies through annual reports required by Section 33112 of Title 49. The information in this report covers the 1998 insurer reporting period. This information was analyzed, organized and documented for this report by KLD Associates, Inc.

1.1 Background

For a period of about twenty years (from about 1960 to 1980), the problem of automobile theft continued to increase and evolve from a problem of teenage joyriding to a highly professional adult crime. A growing market for stolen parts led to an increase in the number of vehicles which were stolen and dismantled for their parts. By the early 1980's, it was estimated that this problem cost Americans approximately four billion dollars annually (1).

To address this problem, Congress enacted the Motor Vehicle Theft Law Enforcement Act of 1984 (Public Law 98-547). This legislation added a new Title VI to the Motor Vehicle Information and Cost Savings Act which required the Department of Transportation to promulgate a Theft Prevention Standard for selected passenger cars exhibiting high theft rates. In 1994, Congress repealed the Motor Vehicle Information Cost Savings Act and recodified it as Chapter 331 of Title 49 of the United States Code. All legislative section references used in this report correspond to the sections of this new legislation.

The Theft Prevention Standard became effective in model year 1987 and requires automobile manufacturers and manufacturers of replacement parts to affix or inscribe a unique identification number on major vehicle components of designated car lines. This parts-marking is intended to facilitate law enforcement efforts to trace and recover stolen vehicles and parts as well as arrest and prosecute the criminals responsible. The increased likelihood of arrest and punishment is also meant to serve as a deterrent to auto thieves.

1.1.1 Legislative Requirements Affecting the Insurance Industry

Section 33112 of Title 49 also required the insurance industry to provide information to the Secretary of Transportation on an annual basis describing:

A) The theft and recovery (in whole or in part) of motor vehicles.

B) The number of vehicles which have been recovered intact.

C) The rating rules and plans, such as loss data and rating characteristics, used by insurers to establish premiums for comprehensive insurance coverage for motor vehicles. Also to be included is the basis for such premiums and premium penalties for those motor vehicles considered as more likely to be stolen.

D) The actions taken by insurers to reduce premiums including changes in rate levels for automobile comprehensive coverages due to a reduction in thefts of motor vehicles.

E) The actions taken by insurers to assist in deterring or reducing thefts of motor vehicles.

F) Other information as required by the Secretary of Transportation to administer this title and produce the report and findings required by this title.

1.1.2 Legislative Requirements Affecting the Department of Transportation

Title 49 requires the Department of Transportation to:

- Select the parts which are to be marked with the appropriate identification numbers by agreement between the Secretary of Transportation and the manufacturer.
- Select the high theft lines which are to be covered by the requirement by agreement between the Secretary of Transportation and the manufacturer.
- Establish the performance criteria for inscribing or affixing the appropriate identification numbers.
- Specify the manner and form for compliance certification and who will be authorized to certify compliance.
- Define specific annual insurer reporting requirements under Section 33112.
- Identify insurers and, rental and leasing companies subject to the annual reporting requirements and grant exemptions from these requirements to insurers and small rental and leasing companies which qualify under provisions of Section 33112.
- Grant an exemption from the standard if a line of vehicles is manufactured with an anti-theft device which is determined by the department to most likely be as effective as the standard in deterring theft. (Section 33106)

1.2 Insurer Reporting Requirements

In January, 1987, the NHTSA promulgated a final rule (4) titled "Insurer Reporting Requirements" (49 CFR Part 544) which defined the specific insurer reporting requirements under the Motor Vehicle Information and Cost Savings Act and identified the insurers and rental and leasing companies subject to these requirements for the first reporting period. The information submitted by insurers under this rule was intended to aid NHTSA in its responsibility to publish insurance information in a form that would be helpful to the public, the law enforcement community and the Congress. These reporting requirements, which the reporting insurers continue to adhere to, provide the information necessary to meet the needs of Chapter 331 of Title 49.

The annual insurer reporting requirements specified in the final NHTSA rule are presented in Table 1. This table identifies the paragraph number of each requirement as specified in the final NHTSA rule and the appropriate sections of Chapter 331 of Title 49.

The first insurer reports were filed with the NHTSA Office of Safety Performance Standards in January, 1987. The subject insurers were required to report data beginning with calendar year 1985.

The NHTSA Office of Safety Performance Standards is responsible to ensure that materials in the annual insurer reports are thoroughly reviewed, analyzed and reported to the public. Information contained in the 1985-1997 insurer reports has been documented in thirteen previous reports (2), (5), (6), (7), (8), (9), (10), (11), (12), (13), (14), (15), and (16). Information contained in the 1998 annual insurer submissions is included herein.

1.3 Organization of this Report

The information presented in this document is based upon the insurer and rental and leasing company reports submitted for calendar year 1998.

Section 2 of this report identifies the insurance and rental and leasing companies which submitted 1998 reports and the extent that required information was supplied.

Responses to each of the specific reporting requirements identified in Table 1, are discussed in Sections 3 through 7 of this report. Table 1 identifies the section of this report devoted to each reporting requirement.

Table 1. Insurer Reporting Requirements

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
1)	Total motor vehicle thefts and recoveries by model year, make, line, model, and state for each motor vehicle type. These recoveries are to be categorized as in-whole, in-part or intact.	Sec. 33112 (c), (A), (B)	(c)(1), (c)(2)	3.1
2)	Explanation of how theft and recovery data is obtained and steps taken to ensure its accuracy.	Sec. 3112 (c)(2)	(c)(3)	3.2
3)	Explanation of how theft and recovery data is used and reported to other organizations.	Sec. 33112 (c)(2)	(c)(4)	3.3
4)	The rating characteristics used by the insurer to establish the premiums it charges for comprehensive insurance coverage for this type of motor vehicle and the premium penalties for vehicles of this type considered by the insurer as more likely to be stolen.	Sec. 33112 (c) (C)	(d)(1)	4.2
5)	Total number of comprehensive claims paid by the insurer during the reporting period, and the total number that arose from a theft.	Sec. 33112 (c) (F)	(d)(2)(i), (d)(2)(ii)(A)	5.1
6)	The best estimate of the percentage of the number from (5) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (F)	(d)(2)(ii)(B)	5.2
7)	The total amount (in dollars) paid out during the reporting period in response to all comprehensive claims filed by its policyholders.	Sec. 33112 (c) (F)	(d)(2)(iii)	5.3

Table 1. Insurer Reporting Requirements (cont.)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
8)	The total amount (in dollars) paid out by the insurer as a result of theft, the best estimate of the percentage of the dollar total listed in (7) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (C)	(d)(2)(iv)(A)(1), (d)(2)(iv)(A)(2)	5.4
9)	In the case of other insurers subject to the reporting requirements, the net losses suffered by the insurer (in dollars) as a result of vehicle theft.	Sec. 33112 (c) (C)	(d)(2)(iv)(B)	5.5
10)	The total amount (in dollars) recovered from the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after the insurer had made a payment.	Sec. 33112 (c) (F)	(d)(2)(v)(A)	5.6
11)	The insurer's best estimate of the percentage of the dollar total listed in (10) that arose from vehicle thefts, and an explanation of the basis for the estimate.	Sec. 33112 (c) (F)	(d)(2)(v)(B)	5.7
12)	Identity of the vehicles for which the insurer charges comprehensive insurance premium penalties, because the insurer considers such vehicles as more likely to be stolen.	Sec. 33112 (c) (C)	(d)(2)(vi)	4.5
13)	The total number of comprehensive claims paid by the insurer for each vehicle risk grouping identified in (12) during the reporting period, and the total amount in dollars paid out by the insurer in response to each of the listed claims totals.	Sec. 33112 (c) (C)	(d)(2)(vii)	5.8

Table 1. Insurer Reporting Requirements (cont.)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
14)	The maximum premium adjustments (as a percentage of the basic comprehensive insurance premium) made for each vehicle risk grouping identified in (12), as a result of the insurer's determination that such vehicles are more likely to be stolen.	Sec. 33112 (c) (C)	(d)(2)(viii)	4.4
15)	Identity of any other rating rules and plans used to establish comprehensive insurance premiums and premium penalties for motor vehicles it considers more likely to be stolen, and an explanation of how such rating rules and plans are used to establish the premiums and premium penalties.	Sec. 33112 (c) (C)	(d)(3)	4.3
16)	Explanation of the basis for the insurer's comprehensive insurance premiums and the premium penalties charged for motor vehicles it considers more likely to be stolen.	Sec. 33112 (c) (D)	(d) (4)	4.1
17)	Actions taken to reduce comprehensive rates due to a reduction in thefts of this type of motor vehicle.	Sec. 33112 (c)(D)	(e)	6.1
18)	State the conditions to be met to receive such a reduction.	Sec. 33112 (c) (D)	(e)(1)	6.1
19)	State the number of vehicles and policyholders that received such reductions.	Sec. 33112 (c) (D)	(e)(2)	6.2
20)	State the difference in average comprehensive premiums for those receiving the reduction vs. those who did not.	Sec. 33112 (c) (F)	(e)(3)	6.3

Table 1. Insurer Reporting Requirements (concluded)

	Reporting Requirement	Paragraphs in Title 49, U.S.Code Chapter 331	Paragraph in NHTSA Final Rule	Section of Discussion in this Report
21)	The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with anti-theft devices.	Sec. 33112 (c) (D)	(f)(1)	6.4
22)	Total number of thefts, by insurance company, of vehicles subject to a premium reduction for an installed anti-theft device.	Sec. 33112 (c) (F)	(f)(2)	6.5
23)	Total number of recoveries, by insurance company, of vehicles that received a reduction for an anti-theft device by intact, in-whole, or in-part.	Sec. 33112 (c) (F)	(f)(3)	6.5
24)	Each action taken by the insurer to assist in deterring or reducing thefts of motor vehicles. Describe the action and explain why the insurer believed it would be effective in deterring or reducing vehicle theft.	Sec. 33112 (c) (E)	(g)(1)	7.1
25)	The policy regarding use of used parts, and precautions taken to identify origin of used parts.	Sec. 33112 (c) (E)	(g)(2)(i) (g)(2)(ii)	7.2

Section 3 identifies the number of insured vehicles stolen and the number recovered during 1998. This section also discusses how insurers, and rental and leasing companies obtain the theft and recovery data submitted to the Department of Transportation for this report and how this information is used.

Section 4 discusses how insurers set rates for motor vehicle comprehensive coverage and how premium penalties are assessed for vehicles with high theft rates.

Section 5 indicates insurer losses for motor vehicle comprehensive coverage during 1998. Also described are insurance and rental and leasing company losses caused by motor vehicle theft.

Section 6 presents programs undertaken by insurers during 1998 to reduce comprehensive premiums.

Section 7 discusses actions taken by insurance and rental and leasing companies to encourage a reduction in motor vehicle theft.

Section 8 presents conclusions and recommendations for future efforts.

Section 9 presents a summary of annual reports since 1987.

Appendix A presents a tabulation of the aggregate number of passenger cars stolen and recovered during 1998 by make, line, model, model year and state based on data furnished by the Insurance Services Office (ISO) for reporting insurance companies.

Appendix B presents theft and recovery data for light duty trucks.

Appendix C presents thefts and recoveries of heavy duty trucks.

Appendix D presents thefts and recoveries of multi-purpose vehicles.

Appendix E presents thefts and recoveries of motorcycles.

Appendix F presents tabulations of the aggregate number of thefts and recoveries of rental and leasing company vehicles.

Appendix G presents a brief summary of each insurer's responses to the reporting requirements.

2. OVERVIEW OF 1998 INSURER AND LEASING COMPANY SUBMISSIONS UNDER THE THEFT ACT

This section presents a general overview of the 1998 insurance and leasing company reports submitted under Chapter 331 of Title 49 of the United States Code.

Specific topics considered include:

- Insurance companies filing 1998 reports
- Rental and leasing companies filing 1998 reports
- The extent that companies responded to each reporting requirement.

2.1 Insurance Companies Filing 1998 Reports

As empowered under Chapter 331 of Title 49, the Department of Transportation is charged with determining the insurance companies subject to the annual reporting requirements and with granting exemptions to those insurers qualifying under Section 33112.

Sections 33112 (b)(1) and (f)(A) and (f)(B) of Chapter 331 of Title 49 define subject insurers as any company and/or subsidiary issuing ten percent or more of the total premiums for all forms of motor vehicle insurance issued by insurers within a particular state, or insurers who issue one percent or more of the total premiums of motor vehicle insurance nationally.

"Small insurers" are defined as those which do not meet these criteria and may be exempted from the reporting requirements.

Data compiled by the A.M. Best Company, Inc. was used by the Department of Transportation to determine insurer market share nationally and in each state for the purpose of identifying subject insurers.

Insurance companies filing reports for the 1998 reporting period are identified in Table 2.

2.2 Rental and Leasing Companies Filing 1998 Reports

Chapter 331 of Title 49 considers the term "insurer" to include any person other than a governmental entity who has a fleet of 20 or more motor vehicles which are used primarily for rental or lease and are not covered by theft insurance policies issued by companies insuring passenger motor vehicles.

Table 2. List of Insurance Companies Filing 1998 Reports

List of Insurers

Allstate Insurance Company
American Family Mutual
American Financial Group
American International Companies (AIG)
Arbella Mutual Insurance
Auto Club of Michigan (MI)
California State Automobile Association
CGU Commercial Union and General Accident
CNA Insurance Companies
Commerce Group, Inc.
Concord Group Insurance Company (VT)
Erie Insurance Group
Farmers Insurance Group
GEICO Corporation Group
ITT Hartford Insurance Company
Liberty Mutual Group
Nationwide Group
New Jersey Manufacturers Insurance Company
Progressive Group
SAFECO Insurance
Southern Farm Bureau Casualty Insurance Company (MS)
St. Paul Companies
State Farm Insurance Companies
Tennessee Farmers Insurance Companies (TN)
Travelers PC Group
USAA Group

Thus, rental and leasing companies may also be subject to the annual insurer reporting requirements. "Small insurers" which are rental or leasing companies are eligible for exemptions from the reporting requirements based on Section 33112(e) of General Exemptions of Chapter 331 of Title 49. In a final rule published June 22, 1990 (55FR 25606), the agency granted a class exemption to all companies that rent or lease fewer than 50,000 vehicles. These exemptions may be granted by NHTSA if the agency determines that:

- The cost of preparing and furnishing such reports is excessive in relation to the size of the business of the insurer and
- The insurer's report will not significantly contribute to carrying out the purposes of Chapter 331.

The rental and leasing companies furnishing information for the 1998 reporting period are identified in Table 3.

2.3 Insurer Compliance With Reporting Requirements

The level of compliance with the reporting requirements varied both by requirement and by company. Slightly more than half the requirements were responded to by half or more of the companies.

The Department of Transportation is working closely with the insurers to obtain complete responses to all requirements in future annual submissions.

Responses were supplied in a variety of ways:

- Direct written response from the insurer
- Information supplied on behalf of the insurer through the Insurance Services Office (ISO).

The ISO is a licensed advisory insurance rating organization.

Table 3. List of Rental and Leasing Companies Filing 1998 Reports

List of Rental and Leasing Companies

Alamo and National Car Rental
Budget Rent-A-Car Corporation
Dollar Rent-A-Car Systems, Inc.
Enterprise Rent-A-Car

Table 4 indicates the number of insurance companies which provided responses to each of the various reporting requirements. Responses may have taken one of several forms:

- Data was provided by the insurer, or ISO.
- The insurer indicated that the reporting requirement was not applicable to the manner in which the company conducts its business or record keeping.
- The insurer indicated that the reporting requirement was applicable but the information requested was not available.

Many of the reporting requirements pertain to premiums and losses for comprehensive insurance policies. These issues are addressed by the reporting insurance companies and are not directly applicable to the leasing and rental companies. Twenty-six insurance companies reported in 1998. This includes some partial responses and claims that data was supplied via ISO or NICB. Fifty percent of the insurers responded only to paragraphs (c)(1) and (c)(2).

Rental and leasing companies primarily provided information on thefts and recoveries of vehicles from their fleets and the dollar losses associated with these thefts.

Table 4. Insurance Company Compliance with Reporting Requirements (1998)

NHTSA Final Rule (49 CRF Part 544) Reporting Requirement Paragraph	Number Reporting	Data Supplied	Does Not Apply	Data Not Available	Paragraph Not Addressed	Confidential
(c)(1),(c)(2)	26	23	0	1	2	0
(c)(3)	26	9	0	1	16	0
(c)(4)	26	8	0	1	17	0
(d)(1)	26	12	0	0	14	0
(d)(2)(i)	26	13	0	0	13	0
(d)(2)(ii)(a)	26	12	0	0	14	0
(d)(2)(ii)(b)	26	6	0	0	20	0
(d)(2)(iii)	26	13	0	0	13	0
(d)(2)(iv)(A)(1)	26	12	0	0	14	0
(d)(2)(iv)(A)(2)	26	5	0	1	20	0
(d)(2)(iv)(B)	26	3	2	0	21	0
(d)(2)(v)(A)	26	10	0	0	16	0
(d)(2)(v)(B)	26	2	0	3	21	0
(d)(2)(vi)	26	7	1	1	17	0
(d)(2)(vii)	26	2	3	1	20	0
(d)(2)(viii)	26	4	3	1	18	0
(d)(3)	26	6	1	1	18	0
(d)(4)	26	11	0	0	15	0
(e)	26	8	0	0	18	0
(e)(1)	26	4	2	0	20	0
(e)(2)	26	4	2	1	19	0
(e)(3)	26	2	2	1	21	0
(f)(1)	26	10	1	0	15	0
(f)(2)	26	8	2	0	16	0
(f)(3)	26	4	2	2	18	0
(g)(1)	26	12	0	0	14	0
(g)(2)(i)	26	11	0	0	15	0
(g)(2)(ii)	26	9	0	0	17	0
Totals	728	230	21	15	462	0

3. THEFTS AND RECOVERIES OF MOTOR VEHICLES DURING 1998

This section presents the number of thefts and recoveries of vehicles insured by the reporting companies or belonging to rental and leasing companies, during 1998. The section also discusses how insurers and rental and leasing companies obtain the theft and recovery data submitted to the Department of Transportation for this report, which other agencies receive this data and how this information is used.

3.1 Thefts and Recoveries by Vehicle Type

Under paragraphs (c)(1) and (c)(2) of the Reporting Requirements, insurers were required to report the number of motor vehicle thefts and recoveries by model year, make, line, model and state. The condition of stolen vehicles upon their recovery was also required according to the following classification system:

- Recovery Intact - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery and with no apparent damage to the vehicle other than damage necessary to enter and operate the vehicle and ordinary wear and tear. (Major parts are those parts subject to the marking requirements of Chapter 331 of Title 49.)

- Recovery In-Whole - A vehicle reported as stolen is recovered with no major parts missing at the time of the recovery but with damage in addition to that sustained during unauthorized entry and operation. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles (with no major parts missing), etc.

- Recovery In-Part - A vehicle reported as stolen is recovered with one or more major parts missing at the time of recovery. This would include vehicles stripped of other parts, wrecked vehicles, burned vehicles, etc.

3.1.1 Thefts and Recoveries Reported by Insurance Companies

The required theft and recovery data was reported directly by the insurance companies or supplied by the ISO or NICB on behalf of the reporting companies. This information included the number of stolen vehicles which were equipped with anti-theft devices (ATD).

Company specific theft and recovery information was combined and is presented by vehicle type in Appendices A-E for passenger cars, light trucks, heavy trucks, multi-purpose vehicles and motorcycles respectively. Each of these appendices present aggregate theft and recovery data by state, make, model, line and model year. This data includes thefts and recoveries of model year 1995-1999 vehicles which occurred during 1998. Each appendix also presents theft and recovery totals by state.

Table 5 summarizes the theft and recovery information listed in Appendices A-E. During 1998, reporting insurance companies received claims for the theft of 92,443 vehicles produced during model years 1995-1999. A total of 13,881 or 15 percent of these stolen vehicles were recovered. This continues a trend of lower recovery rates since 1989. The recovery rates were 51 percent for the 1992 reporting period (11), 47 percent for the 1993 reporting period (12), 36 percent for the 1994 reporting period (13), 31 percent for the 1995 reporting period (14), 19.4 percent for the 1996 reporting period, 21.2 percent for the 1997 reporting period and now 15 percent in 1998.

Table 5. 1998 Thefts & Recoveries of Insured Model Year 1995-1999 Vehicles

			Recoveries				
Vehicle Type	No. of Thefts	No. with ATD	Intact	In-Whole	In-Part	Total	%
Passenger cars	55,927	1,979	2,188	5,227	1,337	8,752	16
Light Trucks	12,525	357	530	1,121	322	1,973	16
Heavy Trucks	291	0	19	14	12	45	15
MPV's	18,738	732	796	1,656	398	2,850	15
Motorcycles	4,962	51	75	134	52	261	5
TOTAL	92,443	3,119	3,608	8,152	2,121	13,881	15

Some possible explanations for the significant drop in passenger car recoveries, suggested by one of the reporting insurers, are based on procedures of local municipalities and police relative to the handling of recovered vehicles.

When a vehicle has been stripped of all its "good" parts, the local municipalities have the vehicle crushed within 48 hours. The insurance company is not informed of the vehicles recovered condition or the fact that the vehicle has been recovered.

If a vehicle has been stolen and is not recovered within 30 days, the insured will be paid for the stolen vehicle. When a vehicle has been recovered by the police, the vehicle gets towed to a storage facility. The owner of the vehicle is informed of its recovery. Most people would rather receive the insurance money for the vehicle (even if the vehicle received minor damage for example a cracked windshield) rather than pay for accrued storage fees. Therefore, the insured does not report the vehicle recovery to the insurance company.

Only 3.0 percent of the stolen vehicles were equipped with an anti-theft device. Sixty-three percent of the vehicles with anti-theft devices were passenger cars.

Passenger cars accounted for 60.5 percent of the stolen vehicles. This percentage has remained basically the same over the last three years (less than 1.3 percent difference). The next largest category was multi-purpose vehicles which represented 20.3 percent of the thefts. Light trucks accounted for 13.5 percent of the thefts while heavy trucks and motorcycles together accounted for only 5.7 percent of the thefts.

As noted above, recovery rates aggregated over all vehicle types, have been steadily dropping since 1989. In 1998, recovery rates for all vehicle types, other than motorcycles, are about the same, either 15 or 16 percent. Relative to 1997, passenger car, light truck and multi-purpose vehicle recovery rates have dropped by 5 to 6 percent. Motorcycles continue to have the worst recovery rate (5 percent).

Twenty-six percent of all recovered vehicles were found to be intact. Vehicles recovered in-whole accounted for 59 percent of all vehicle recoveries while vehicles recovered in-part represented 15 percent of all recoveries.

3.1.2 Thefts and Recoveries Reported by Rental and Leasing Companies

Rental and leasing companies reported their theft and recovery data in a different manner than the insurance companies. Most of the rental and leasing companies used their own unique style of reporting.

The information reported by each rental and leasing company was combined and a total number of thefts and recoveries for these companies was computed. This information is presented in Appendix F stratified by model year, make and model and includes the number of thefts, number of recoveries intact, number of recoveries in-whole, number of recoveries in-part, total number of recoveries and the percentage of stolen vehicles recovered.

As shown in Appendix F, the ~~two~~ reporting rental and leasing companies identified a total of 1,361 vehicle thefts during 1998. A total of 1,140 vehicles were recovered which is 83.8 percent (1,140/1,361) of the stolen vehicles.

There is some evidence that some of the insurance companies are only reporting recoveries if the recovery condition is known. The comparable recovery rate for leasing companies would then be 903/1,361 or 66.3% compared with 15.0% reported by the insurers. However, at present, this is only a conjecture and would require more definitive data from the insurance companies to verify.

The conjecture that insurance companies and therefore, leasing and rental companies as well, may be reporting only recoveries if the recovery condition is known was due to a statement to this effect by GEICO. GEICO stated that most of their recovered vehicles are recovered with the recovery condition unknown, but the recovery percentages reported have only included those recoveries where the recovery condition was known.

Other reasons for the difference in recovery rates between insurance companies and rental companies could be due to differences in reporting procedures. For rental companies, vehicles not returned by their due date are categorized "overdue" for some period of time. If a vehicle is returned after the expiration of the "overdue" period it is possible that some rental companies may include these vehicles as "recovered". One rental company has observed that their primary effort when a vehicle is considered as stolen is its recovery in whatever condition rather than consideration of insurance fraud or vehicle condition. This emphasis is reflected in the fact that rental companies have been installing ONSTAR type systems, at least on their more expensive vehicles, to aid in recovery. They also have better and more current identification documentation for their vehicles than insurance companies would have. As soon as a rented vehicle is "overdue", the rental agency begins the process of tracking the disposition of the vehicle by contacting the renter and initiating resolution of the rental agreement. If necessary, the rental agency contacts companies that they use to repossess and pick up the overdue vehicle.

These reasons could all contribute to the explanation of the observed difference in recovery rates between insurance companies and rental/leasing companies, however, the most likely reason being differences in record-keeping procedures and definition of status of the vehicle.

The condition of vehicles upon recovery was provided for 903 of the 1,140 recovered vehicles. Budget Rent-A-Car designated all 903 recovered vehicles as "recovered intact".

3.2 Procedures to Obtain Theft and Recovery Data

Under paragraph (c)(3) of the NHTSA Reporting Requirements, rental and leasing and insurance companies provided an explanation of how theft and recovery data is obtained and the steps taken by the industry to ensure the accuracy of this data.

Theft and recovery information is obtained by insurance companies from their policy holders and agents as reports of claims by phone, letter, facsimile, internet web sites, or in person. Information is submitted to the ISO or NICB in the normal course of claim file adjustment; i.e., the information required for completion of its automobile theft reporting forms. Strict adherence to the form instructions by trained insurance personnel is one approach used to ensure data accuracy. At CSAA, copies of the registration, title document and law enforcement agency reports are obtained and reviewed. For some companies, an agent or Physical Damage Supervisor is responsible for maintaining a log of each stolen vehicle report.

Insurers check for completeness via individual review of files by claims managers, adjusters or claims handlers. In addition, some insurers perform periodic audits, or use computer reconciliation programs to identify erroneous or incomplete data. Incomplete reports are returned to the reporting claim office by the Home Office Claim Department for correction. Travelers Group has utilized their Special Investigative Unit in those cases with suspicious circumstances.

Recovery data is also obtained from either the National Insurance Crime Bureau (NICB), the police or the insured. The license plate and VIN number are checked by physical inspection by a claims adjuster, or using VIN check software or requiring witnessed or notarized signatures of the insured and complete descriptions of damage to the vehicle at the time of loss. Repair estimates and recent repair and maintenance billings are obtained when available. On notice of recovery, GEICO acts to take possession of the vehicle.

A summary of the insurance company responses to this and subsequent reporting requirements described throughout the remainder of this report may be found in Appendix G.

A review of rental and leasing company responses for the 1998 reporting period indicates that their methods to obtain data involve reviewing reports submitted from corporate locations, field operations, and monthly reports from cities. Offices that have not completed reporting procedure requirements by the end of the month are contacted directly and reminded of their monthly reporting requirements.

3.2.1 Notifying Insurance Companies of Motor Vehicle Thefts and Recoveries

Thefts of insured motor vehicles are generally reported by policyholders to their insurance company, agent or claims handler within 24 hours of the theft. This information is reported either by telephone, in writing or in person.

Most insurers routinely report thefts and recoveries of motor vehicles to the NICB within 24 to 48 hours after they receive the information. This information is provided to the NICB in a uniform manner for all participating companies.

The insurers receive information on recovered stolen vehicles from their policyholders, the NICB and police agencies. The insurers will attempt to inspect the vehicle to verify the VIN and the condition of the vehicle upon recovery. The results of this inspection are forwarded to the NICB.

3.2.2 Insurance Industry Procedures to Ensure Accurate Theft and Recovery Data

To ensure the accuracy and timeliness of theft and recovery data, many insurance companies have developed well defined procedures for their claim processors to thoroughly investigate and document theft losses. They utilize their Special Investigative Unit in those cases with suspicious circumstances where the need for further investigation is warranted. Some companies periodically perform tests and audits, of their theft claim files by their branch management, district management, regional management and home office claim review units.

In addition to these internal audits and quality control reviews, the information submitted to the NICB is thoroughly reviewed for accuracy, timeliness, and completeness. The NICB provides the insurers with a list of missing information or claim discrepancies or requests for supplemental information. The insurers must then investigate to resolve the discrepancies, provide missing information and resubmit their reports. The NICB reviews all data discrepancies until they are resolved.

Some insurers also review police reports, physically inspect recovered vehicles to determine the accuracy of the VIN, license number, date of theft, date of recovery and condition of the vehicle upon recovery. Other insurers use VIN check software in conjunction with their estimating systems, licensed by Automated Data Processing Company and Certifies Collateral Company, to ensure VIN accuracy and detect fraud. Computer reconciliation programs are also used to verify data. In some cases, a copy of the registration and title document are obtained and reviewed to assure accuracy of license number and VIN. This type of information is stored both by the NICB and other law enforcement agencies and is cross-referenced for accuracy.

3.2.3 Rental and Leasing Company Procedures to Obtain Accurate Theft and Recovery Data

It is generally the responsibility of the lessee operator to report the theft of a vehicle to the appropriate law enforcement agency. Accuracy is tested by some companies by comparing selected city reports on stolen activity with annual city historical information.

3.3 Uses of Theft and Recovery Data

Under paragraph (c)(4) of the Reporting Requirements, insurance, rental and leasing companies provided an explanation of how theft and recovery data is used and reported to other organizations.

This information is used both internally by the insurance companies and externally by other organizations for a variety of purposes including:

1) Reporting data to state and local enforcement agencies at the time of loss.
2) Reporting to state insurance departments which includes state rate filings.
3) Determining rates for comprehensive coverage by determining patterns of loss experience and exposure, determining locations with unusual theft risks and developing risk management practices.
4) Controlling claim costs by providing information to the claim staff to assist their investigations and arrive at quicker, more accurate settlements.
5) Identifying and investigating cases of suspected claim misrepresentation or the possibility that the policyholder is involved in a crime.
6) Assist efforts to recover stolen vehicles by prompt accurate reporting to the local police. Inquiry made to insure the same vehicle has been recorded with the National Crime Information Center (NCIC).
7) Assist efforts to track theft and comprehensive experience by state and locality by submitting theft reports to the NICB, ISO, local and state authorities and insurance bureaus. The NICB aggregates data supplied by participating insurers and publishes reports on thefts and recoveries.

A few of the insurers indicated that they did not utilize theft and recovery data for any purpose other than to supply information required by Section 33112 of Title 49 of the U.S.C.

Some of the rental and leasing companies utilize theft and recovery information internally to identify a monetary amount per location in order to establish reserves for potential losses, or to identify the six month time limit required by internal procedures to remove the vehicle from inventory and record the loss, but do not release this information to any other organization other than reporting the theft to the local law enforcement agencies.

4. SETTING RATES FOR MOTOR VEHICLE COMPREHENSIVE COVERAGE DURING 1998

This section describes the procedures and factors considered by the reporting insurance companies to establish the premiums charged for motor vehicle comprehensive coverage during 1998. Of special interest is the role of vehicle theft in the determination of premiums for comprehensive coverage.

Specific topics considered include:

- The basis for motor vehicle comprehensive premiums and the basis for premium penalties assessed for vehicles with high theft rates
- The rating characteristics used by insurers to establish comprehensive premiums for motor vehicles
- Additional rules and plans followed by insurers to establish comprehensive premiums and premium penalties
- The maximum adjustments to comprehensive premiums for vehicles considered as posing an especially high risk of theft
- An identification of lines with a high risk of theft

Each of these topics is considered separately in the sections which follow. As might be expected, the procedures and rating characteristics used by the insurers to establish comprehensive premiums during 1998 were very similar to those documented by the insurers for previous years.

4.1 Basis for Comprehensive Premiums and Premium Penalties for Vehicles with High Theft Rates

Under paragraph (d)(4) of the NHTSA Insurer Reporting Requirements, insurers provided an explanation of the basis for their comprehensive insurance premiums and premium penalties charged for motor vehicles considered as most likely to be stolen.

Many insurance companies rely on the aggregate experience of many companies as compiled by the ISO Vehicle Rating Series Program or by the HLDI. The ISO symbol structure, which assigns a numeric symbol to each motor vehicle based on the manufacturers suggested retail price (MSRP) called the Price New Symbol, is used by many insurers. The Price New Symbol may be adjusted either upward or downward to reflect physical damage loss experience, in accordance with the Vehicle Series Rating Program. Cars that are more likely to be stolen will be assigned a higher symbol("upsymbolled") than they would otherwise receive based on the MSRP, resulting in higher premiums. Thus, any premium penalties for vehicles more likely to be stolen will be incorporated into the ISO symbol.

Other insurers establish comprehensive rates utilizing the total comprehensive loss experience without identifying the theft component of this experience. As a result, most insurers charge no premium penalties based on propensity to be stolen.

Some insurers identify groups of vehicles, to which penalties are attached to the comprehensive premium, which they believe are more likely to be stolen than other vehicles. Company experience compared with the experience of other members of the insurance industry is used to develop adjustments based upon damageability (including cost of repair and susceptibility to theft).

The California State Automobile Association bases comprehensive premiums on a needed premium revenue using prior years experience compared with actual earned premiums brought up to the present rate level. Both losses and expenses which make up the needed premium revenue are adjusted to reflect the cost level projected to be in effect when the new rates are in force. Premium penalties are attached to High Exposure vehicles (vehicles with exceptionally quick acceleration and/or excessive comprehensive and collision losses) and Limited Production vehicles (manufactured in very limited quantities) which exhibit a high incidence of theft.

Rates are established for individual makes and models on the basis of their Price Group symbol. A Price Group symbol primarily reflects the price of the vehicle when it is new. The Price Group symbol (PGS) assigned to individual makes and models may be adjusted up or down most often based on its <u>combined</u> collision and comprehensive experience. The vehicle's PGS may be adjusted under the Make/Model Experience Rating Program which is based on collision plus comprehensive experience of the latest two model years. The calculated loss ratio is then expressed relative to the average loss ratio for all models.

These rates may be adjusted by territory of operation, vehicle age, driver and vehicle use characteristics. Other elements upon which premiums and premium penalties are based include cost and frequency trends and competitive position.

The commonly used rating characteristics for comprehensive coverage are described in the section which follows.

4.2 Rating Characteristics Used to Establish Comprehensive Premiums

Under paragraph (d)(1) of the Reporting Requirements, insurers provided the rating characteristics used to establish the premiums charged for comprehensive insurance coverage during 1998 and the premium penalties assessed for vehicles considered more likely to be stolen.

Typical driver rating characteristics include:

- Age
- Sex
- Driver Classification
- Driving Record
- Marital Status

Typical vehicle use rating characteristics include:

- Primary use of vehicle (i.e., commuting, business, etc.)
- Annual mileage traveled

Additional rating characteristics include:

- Number of vehicles in the household
- Defensive driver factor
- Loss experience
- Territory of operation
- Number of other vehicles insured
- Model year (age) of the vehicle
- Cost new and damageability/repairability of the vehicle
- Policy deductible amount
- Whether vehicle is equipped with an anti-theft device
- Garaged location
- Expense of doing business
- Good student discount for youthful drivers
- Qualification for multi-vehicle discount
- Symbol

Most of the companies did not assess any surcharge or premium penalties to insure vehicles which are stolen more frequently than others. Those companies which did charge such penalties employed a variety of rating characteristics to select vehicles for these penalties. As noted in Section 4.1, some companies use ISO symbols, statewide rating symbols or industry comparisons to establish a base rate. These symbols are then adjusted upward or downward to reflect the combined comprehensive and collision loss experience for individual makes and models. Loss experience is sometimes based on combining the company's own data with that of the Highway Data Loss Institute (HLDI).

CSAA uses a premium review, based on prior years experience, compared with actual earned premiums brought up to the present rate level. Both losses and expenses which make up the needed premium review are adjusted to reflect the cost level projected to be in effect when the new rates are in force. State Farm uses Insurance Ratings Groups (IRG) which reflect their latest review of loss experience for each model.

The rating characteristics used include:

- The potential for higher than usual losses of all kinds under comprehensive coverage (e.g., the ability of the vehicle to withstand damage)

- High incidence of theft

- Performance characteristics of the vehicle such as acceleration capabilities

- Design characteristics such as luxury and sportiness

- Level of automotive production, availability of replacement parts and associated repair costs

4.3 Other Rules and Plans to Establish Comprehensive Premiums and Premium Penalties

Under paragraph (d)(3) of the NHTSA Insurer Reporting Requirements, insurers provided additional rules and plans used in 1998 to establish comprehensive premiums and premium penalties for motor vehicles they consider as more likely to be stolen.

As noted in section 4.1 and 4.2, most of the reporting insurance companies did not assess any premium penalty based on theft potential. Companies which did charge premium penalties did so on the basis of higher than usual losses seldom if ever based specifically and solely upon theft loss potential. Surrogate measures for vehicle theft such as total loss experience, repair costs, performance and design characteristics were used rather than actual theft experience itself in determining theft-related premium penalties.

The already mentioned ISO Vehicle Series Rating (VSR) procedure is based upon a number of factors influencing loss potential and is not tied solely to the likelihood of theft. Thus, the procedure can not be used to develop discounts or penalties which specifically recognize a vehicle's theft loss potential.

No rating rules, other than those described in sections 4.1 and 4.2, with the exception of anti-theft device discounts, were noted in response to paragraph (d)(3).

4.4 Maximum Premium Adjustments for High Risk Vehicle Groupings

Under paragraph (d)(2)(viii) of the NHTSA Reporting Requirements, insurers were asked to indicate the maximum premium adjustments applied during 1998 for each of their designated high theft risk vehicle groupings.

One of the insurers indicated that its maximum premium adjustment due to comprehensive loss experience is 100 percent. This insurer states that comprehensive experience makes up, at most, 50 percent of the experience used in determining the symbol (collision experiences are also involved). Thus, the insurer estimates the maximum impact on premiums due to theft experience as 50 percent.

As noted in Section 4.1, one of the insurers employed a specific classification scheme to assess premium penalties in which vehicles were classified as either High Exposure, or Limited Production vehicles. (A third "Selected Vehicle" classification used in prior years was eliminated in a rate change effective 5/1/96). The premium penalties for each of these classifications were as follows:

- High Exposure Vehicles - 50 percent surcharge to the basic premium
- Limited Production Vehicles -20 percent surcharge to the basic premium

The lines specifically identified by insurers as high risk vehicles subject to some form of premium penalty are identified in the section which follows. For other insurance companies, the vehicle's likelihood of being stolen is only one component reflected in the modification of a symbol assignment.

4.5 Designated High Risk Lines

Under paragraph (d)(2)(vi) of the Reporting Requirements, insurers were asked to identify vehicles which were assessed premium penalties for comprehensive coverage in 1998 because they were considered more likely to be stolen than other vehicles.

As noted previously, most of the insurers did not charge any premium penalties on the basis of theft potential. The few that did charge premium penalties, frequently included other issues than theft potential alone in their decision to designate vehicles as subject to premium penalties.

Lines more commonly designated by insurers as subject to higher comprehensive premiums due to greater loss risks are indicated in Table 6 for the two companies reporting: American Family Group and California State Automobile Association.

Five other insurance companies, Auto Club of Michigan, Travelers, Geico, Concord, and Southern Farm either referred to ISO's Vehicle Symbol Rating Manual (based on several factors -- one of which is theft, thus, the symbols do not necessarily identify high theft vehicles) or indicated that they have no vehicles to identify as receiving a premium penalty due to increased theft potential.

Table 6: Typical Designated High Risk Lines During 1998
American Family Mutual Insurance Company

1994	1995	1996	1997	1998
BMW:	BMW:	Acura Integra	Acura Integra	Acura Integra
318i	318i	BMW:	BMW:	BMW:
325i	325i	318i	318 Series	323 Series Conv.
Chevrolet:	Chevrolet:	318ti	328 Series	328 Series Conv.
Blazer	Camaro	318is	(2DR only)	Chevrolet:
Camaro	Corvette	328i	Chevrolet:	Camaro
Corvette	Ford Mustang	328is	Corvette	Corvette
Dodge Stealth	GEO Tracker	Chevrolet:	Eagle:	Mitsubishi:
R/T Turbo	Honda Prelude	Camaro Conv.	Talon 4WD	3000GT
Ford Mustang	Mitsubishi:	Corvette	Infiniti J30	Mirage
GEO Tracker	3000GT VR-4	Eagle:	Jeep Wrangler	Montero Sp
GMC Jimmy	Eclipse	Talon 4WD	Lexus: SC 300	Montero Sp 4X4
Honda Prelude	Montero	Ford:	Mitsubishi:	Nissan:
Isuzu Amigo	Nissan:	Mustang Conv.	3000GT	240SX
Mitsubishi:	300ZX	GEO Tracker	Eclipse	Pontiac:
3000GT VR-4	Pontiac Firebird	Honda Prelude	Pontiac:	Firebird Conv.
Nissan:	Porsche	Land Rover:	Firebird Conv.	Porsche 911
240SX	Suzuki Sidekick	Range Rover	Porsche 911	Toyota:
300ZX	Toyota:	Lexus:	Toyota:	Supra
Pathfinder	LandCruiser	GS 300	LandCruiser	
Pontiac Firebird	4 Runner	SC 300	Supra	
Porsche		SC 400	4Runner 4X4	
Suzuki Samurai		Mitsubishi:		
Toyota:		3000GT		
LandCruiser		Eclipse		
4 Runner		Montero 4X4		
Volkswagen:		Nissan:		
Corrado		300ZX		
Golf		Pontiac:		
Jetta		Firebird Conv.		
		Porsche 911		
		Toyota:		
		LandCruiser		

Table 6: Typical Designated High Risk Lines During 1998
California State Automobile Association
High Exposure

1998 High Exposure

Acura
- NSX-T 2D Tar
- NSX 2D Cpe
- Integra 2D Hbk Type-R 5SP

Aston Martin
- DB7 2D Cpe 3.2L DOHC 34-v V6 SC
- DB7 2D Con Volante 3.2L DOHC 32-v V6 SC

BMW
- Z3 2D Con 2.8L DOHC 24-v L6
- M Roadster 2D Con 3.2L DOHC 24-v L6
- M3 4D Sed, 2D Cpe, Con 3.2L DOHC 24-v L6
- 323is 2D Cpe 2.5L SOHC 24-v L6
- 323ic 2D Con 2.5L SOHC 24-v L6
- 328i 4D Sed 2.8L DOHC 24-v L6
- 328is 2D Cpe 2.8L DOHC 24-v L6
- 328iC 2D Con 2.8L DOHC 24-v L6
- 540i 4D Sed 4.4L DOHC V8 32-v
- 540ia 4D Sed 4.4L DOHC V8 32-v
- 540ia-p 4D Sed 4.4L DOHC V8 32-v
- 740i 4D Sed 4.4L DOHC 32-v V8 (SWB)
- 740iL 4D Sed 4.4L DOHC 32-v V8 (LWB)
- 750iL 4D Sed 5.4L SOHC V12 (LWB)

Chevrolet
- Camaro 2D Con, Hbk Z-28 or SS 5.7L "LS1" V8
- Camaro Z-28 V8 2D Hbk
- Camaro Z-28 SS V8 2D Hbk
- Corvette 2D Tar, 2D Con 5.7L "LS1" V8

Dodge
- Viper 2D Con 8.0L RT/10 Roadster
- Viper 2D Cpe 8.0L V-10 GTS

Eagle
- Talon TSi Turbo (FWD) 2D Hbk
- Talon TSi Turbo (AWD) 2D Hbk

Ferrari
- F355 2D Cpe, Tar, Con 3.5L DOHC 40-v V8
- F456GTA, GT 2D Cpe 5.5L DOHC 48-v V12
- 550 Maranello 2D Cpe 5.5L DOHC V12

Ford
- Mustang 2D Cpe, Con Cobra 4.6L 32-v DOHC V8
- Mustang 2D Cpe, Con GT 4.6L SOHC V8

Jaguar
- XJ8 4D Sed 4.0L V8 Vndnpls LWB SC
- XJR 4D Sed 4.0L V8 XJR SWB SC

Lexus
- GS400 4D Sed 4.0L V8 32-v
- SC400 2D Cpe 4.0L V8 32-v

Mercedes
- C43 4D Sed 4.3L V8
- S420 4D Sed 4.2L V8
- S500 4D Sed 5.0L V8
- S600 4D Sed 6.0L V12
- CL500 2D Cpe 5.0L V8
- CL600 2D Cpe 6.0L V12
- SL500 2D Tar 5.0L V8
- SL600 2D Tar 6.0L V12
- SLK230 2D Tar 2.3L DOHC 16-v 4Cyl

Mitsubishi
- 3000GT 2D Hbk SOHC 12-v V6
- 3000GT SL 2D Hbk 3.0L DOHC 24-v V6
- 3000GT VR4 2D Hbk 3.0L Twin-turbo 4WD
- Eclipse GST Spydr 2.0L DOHCTrbo FWD 2D Conv
- Eclipse GST Turbo FWD 2D Hbk 2.0L DOHC
- Eclipse GSX Turbo 4WD 2D Hbk 2.0L DOHC

Pontiac
- Firebird 2D Hbk TA/Formula/Firehawk 5.7L V8
- Firebird 2D Con TA/Formula/Firehawk 5.7L V8

Porsche
- Boxster 2D Con 2.5L DOHC 24-v Flat-6
- 911 Carrera 2D Cpe 'S' 2(2WD)/ or 4S (4WD)
- 911 Carrera 2D Con Cabrio 2 (2WD) or 4 (4WD)
- 911 Carrera 2D Tar Targa

Saab
- 9000 CSE 2.3L Tur 4D Hbk std-output auto
- 9000 4D Hbk CSE 2.3L Tur high-output 5 Spd
- 900 SE 2.0L 4 Cyl Turbo 2D Con, 2D Hbk
- 900 SE 2.0L 4 Cyl Turbo 2D Hbk, 4D Hbk

Toyota
- Supra 2D Hbk 15th
- Supra 2D Hbk Twin-Turbo

Volkswagen
- GTI 2D Hbk 2.8L VR 6 V6
- Jetta 4D Sed GLX 2.8L V6

Table 6: Typical Designated High Risk Lines During 1998 (cont'd.)
California State Automobile Association
High Exposure

1997 High Exposure

Acura
- NSX-T 2D Tar, 2D Cpe 3.2L DOHC 24-v V6
- Integra 2D Hbk Type-R 5SP

Aston Martin
- DB7 2D Cpe 3.2L DOHC 34-v V6 SC
- DB7 2D Con Volante 3.2L DOHC 32-v V6 SC

BMW
- M3 4D Sed, 2D Cpe 3.2L DOHC 24-v L6
- 328i 4D Sed 2.8L DOHC 24-v L6
- 328is 2D Cpe 2.8L DOHC 24-v L6
- 328iC 2D Con 2.8L DOHC 24-v L6
- Z3 2D Con 2.8L DOHC 24-v L6
- 5-series 4D Sed 540i 4.4L DOHC V8 32-v
- 740i 4D Sed 4.4L DOHC 32-v V8 (SWB)
- 740iL 4D Sed 4.4L DOHC 32-v V8 (LWB)
- 750iL 4D Sed 5.4L SOHC V12 (LWB)
- 840Ci 2D Cpe 4.4L DOHC 32-v V8
- 850Ci 2D Cpe 5.4L SOHC V12

Chevrolet-Geo
- Camaro Z-28 or Z28 SS V8 5.7L 2D Con
- Camaro Z-28 or Z28 SS V8 5.7L V9 2D Hbk
- Camaro Z-28 SS V8 "LT4" 2D Hbk
- Corvette 2D Tar 5.7L "LS1" V8

Dodge
- Viper 2D Con 8.0L V-10 RT/10
- Viper 2D Cpe 8.0L V-10 GTS

Eagle
- Talon TSi Turbo (FWD) 2D Hbk
- Talon TSi Turbo (AWD) 2D Hbk

Ferrari
- F355 2D Cpe, 2D Tar, 2D Con 3.5L DOHC 40-v V8
- 456GTA 2D Cpe 5.5L DOHC 48-v V12

Ford
- Mustang GT or GTS 2D Cpe 4.6L SOHC V8
- Mustang GT 4.6L 2D Con SOHC V8
- Mustang Cobra 2D Cpe, 2D Con 4.6L DOHC V8
- Probe GT/GTS 2.5L 2D Hbk DOHC V6

Jaguar
- XJ6 4D Sed 4.0L L6 XJR SWB SC

Mazda
- MX-6 LS 2.5L DOHC 2D Cpe

Mercedes
- C36 4D Sed 3.6 L6 DOHC 24-v
- S420 4D Sed 4.2L V8
- S500 4D Sed, 4D Cpe 5.0L V8
- S600 4D Sed, 2D Cpe 6.0L V12
- SL320 2D Con 3.2L L6
- SL500 2D Con 5.0L V8
- SL600 2D Con 6.0L V12

Mitsubishi
- 3000GT SL 2D Hbk SL 3.0L DOHC 24-v V6
- 3000GT SL 2D Hbk VR4 3.0L Twin-turbo 4WD
- Eclipse GST Spyder 2.0L Turbo (FWD) 2D Conv
- Eclipse GST Turbo (FWD) 2D Hbk 2.0L DOHC
- Eclipse GSX Turbo (4WD) 2D Hbk 2.0L DOHC

Pontiac
- Firebird 2D Hbk TA/Formula/Firehawk 5.7L V8
- Firebird 2D Con TA/Formula/Firehawk 5.7L V8

Porsche
- Boxster 2D Con 2.5L DOHC 24-v Flat-6
- 911 Carrera 2D Cpe 2-2WD/4-4WD/4S
- 911 Carrera 2D Cpe Turbo or Turbo S
- 911 Carrera 2D Cabrio 2WD or 4WD
- 911 Carrera 2D Tar Targa

Saab
- 9000 CSE 2.3L Tur 4D Hbk std-output
- 9000 Aero Tur 4D Hbk 2.3L std-output
- 9000 Aero Tur 4D Hbk 2.3L hi-output
- 900 SE 2D Con, 2D Hbk, 4D Hbk 2.0L 4Cyl Turbo

Toyota
- Supra 2D Hbk 15th Anniv.
- Supra 2D Hbk Twin-Turbo 15th Anniv.

Volkswagen
- GTI 2D Hbk 2.8L VR6 V6
- GTI 2D Hbk 2.8L VR6 V6 Driver's Ed.
- Jetta 4D Sed GLX 2.8L V6

Table 6: Typical Designated High Risk Lines During 1998 (cont'd.)
California State Automobile Association
High Exposure

1996 High Exposure

Acura
- NSX-T 2D Tar
- NSX 2D Cpe

BMW
- M3 2D Cpe 3.0L DOHC 24-v L6
- 328i 4D Sed 2.8L DOHC 24-v L6
- 328is 2D Cpe 2.8L DOHC 24-v L6
- 328iC 2D Con 2.8L DOHC 24-v L6
- 740iL 4D Sed 4.4L DOHC 32-v V8

Chevrolet-Geo
- Camaro 2D Con, 2D Hbk Z-28 5.7L V8 285HP

Dodge
- Stealth 2D Hb FWD RT 3.0L V6 DOHC 24-v

Eagle
- Talon 2D Hb Tsi Turbo (FWD) & (AWD)

Ford
- Mustang 2D Cpe, 2D Con Cobra 4.6L DOHC V8
- Mustang 2D Cpe GT or GTS 4.6L SOHC V8
- Mustang 2D Con GT 4.6L SOHC V8
- Probe 2D Hbk GT 2.5L DOHC V6

Jaguar
- XJ12 4D Sed 6.0L V12 LWB
- XJ6 4D Sed 4.0L L6 SWB superchgd.

Mazda
- MX-6 2D Cpe LS 2.5L DOHC V6 24v

Mercedes
- C36 4D Sed 3.6 L6 DOHC 24v

Mitsubishi
- 3000GT 2D Hbk 3.0L DOHC 24v V6
- 3000GT SL 2D Hbk 3.0L DOHC 24v V6
- 3000GT 2D Con SL Spyder 3.0L 24v V6
- Eclipse 2D Con GST Spdr 2.0L DOHC Trbo FWD
- Eclipse 2D Hbk GST 2.0L DOHC Turbo FWD
- Eclipse 2D Hbk GSX 2.0L DOHC Turbo 4WD

Nissan
- 300ZX 2D Hbk 2+2 3.0L DOHC V6 24v
- 300ZX 2D Hbk 3.0L DOHC V6 Twin Turbo
- 300ZX 2D Hbk Base or T-Top 3.0L DOHC
- 300ZX 2D Con 24-Valve 3.0L DOHC V6

Pontiac
- Firebird 2D Hbk TA/Formula/Firehawk 5.7L V8
- Firebird 2D Con TA/Formula/Firehawk 5.7L V8

Saab
- 9000 4D Hbk CSE 2.3L Turbo std-output
- 9000 4D Hbk 2.3L Aero Turbo std-output
- 9000 4D Hbk 2.3L Aero Turbo hi-output
- 900 2D Con SE Turbo 2.0L 4Cyl
- 900 2D Hbk SE Turbo 2.0L 4Cyl
- 900 4D Hbk SE Turbo 2.0L 4Cyl

Toyota
- Supra 2D Hbk

Volkswagen
- GTI 2D Hbk 2.8L VR6 V6
- Jetta 4D Sed GLX 2.8L V6

Table 6: Typical Designated High Risk Lines During 1998 (concluded)
California State Automobile Association

Select and Limited Production Autos

Select Autos (Prior to 5/1/96)

AC Cobra (1963-1967)*
Acura NSX**
Aston Martin+
Bentley*
BMW M1, 740, 750, 840, 850**
Chevrolet Corvette**
Cizeta**
Clenet*
Delorean*
De Tomaso Pantera, GTS*
Dodge Stealth RT Turbo 4wd, Viper**
Duesenberg*
Excalibur*
Ferrari**
Lamborghini*
Lotus (except Elan)*
Maserati++
Mercedes 300Series, 320Series, 400Series
420Series, 500 Series, 560 Series, 600 Series**
Mitsubishi
3000GT, VR-4 Turbo AWD**
Porsche 911, 924, 928, 930, 944, 968**
Toyota Supra (1993 and newer twin turbo)**
Rolls Royce*
Vector*

* Now classified "Limited Production"
** Now classified "High Exposure"
+ Aston Martin Lagonda and pre-1971models are now "Limited Production", all others are "High Exposure"
++ Pre-1972 4DR models are now classified as "Limited Production", all others are "High Exposure"

Limited Production Autos

Avanti (1970's and later)
Bertone
Bitter
Bizzarini
Bradley GT
Bricklin
Bugatti
Cadillac Fleetwood stretched limo
Citroen M35 (1969), 2CV (1971)
Cord (1969 Replicar)
CX Prestige
Daimler
Dutton
Excalibur
Fiat Special T, Moretti, Aberth 1600
ISO
Jensen Interceptor III
McClaren
Morgan
Mercedes 6.9, 450SLC, 600, 300SL,
380SLC,Gullwing
Panther
Pininfarina
Rover (1980-81 passenger car)
Saab 3 cyl
Scarab
Seven
Shelby
Stutz
Sunbeam Tiger (1965-1967)
Sterling (Pre 1986)
Toyota 2000 GT
Trident
TVR
XM

5. INSURANCE LOSSES FROM MOTOR VEHICLE COMPREHENSIVE POLICIES DURING 1998

This section describes the losses incurred by insurance companies during 1998 from policies providing motor vehicle comprehensive coverage. Also described are insurance, rental and leasing company losses caused by motor vehicle theft.

Specifically, the following topics are examined:

- The number of comprehensive claims paid by insurers during 1998
- The proportion of these comprehensive claims which were caused by motor vehicle theft
- The dollar losses sustained by reporting insurance companies under comprehensive coverage
- The total dollar losses under comprehensive policies attributable to theft and the proportion of all comprehensive losses attributable to vehicle theft
- The net dollar losses due to vehicle theft
- The amount recovered by insurers through the sale of recovered vehicles and parts
- The proportion of these dollars recovered which is attributable to thefts of whole motor vehicles
- The number of comprehensive claims and the amounts paid by insurers for designated high risk vehicles

Each of these topics is considered in the sections which follow.

5.1 Comprehensive Claims Paid By Insurers During 1998

Under paragraphs (d)(2)(i) and (d)(2)(ii)(A) of the Reporting Requirements, insurers indicated the total number of comprehensive claims which were paid during 1998 and the number of these claims which resulted from a theft.

The total number of comprehensive claims paid by each company is presented in Table 7. The number of comprehensive claims paid by the various reporting companies during 1998 ranged from just over 4,000 to over 2.8 million.

Table 7. Number of Comprehensive Claims Paid By Reporting Ins. Co. (1998)

Insurer	Number of Claims	
	All Vehicles	Commercial
Allstate Insurance Company	1,143,001	14,149*
American Family Group	198,886	
American International Companies	103,005	53,846
Auto Club of Michigan (MI)	473,063	
California State Automobile Association	205,969	
CNA Insurance Companies	204,078	
Concord Group Insurance Company	4,179	919*
Farmers Insurance Group	608,304	
GEICO Corporation Group	368,781	
Southern Farm Bureau Casualty Ins. Co. (Ark.& Miss.)	66,653	
State Farm Insurance Companies	2,865,433	12,435
Tennessee Farmers Insurance Companies	41,338	12,710*
Travelers PC Group	134,899	
Totals:	6,417,589	94,059

*Trucks (Identified as either light or heavy trucks)

In total, 6,417,589 comprehensive claims were paid by these companies during 1998 for all types of vehicles.

The commercial vehicle data on Table 7 includes vehicles designated by the insurance companies as either: commercial with no information as to type of vehicle; or vehicles designated as either light or heavy trucks, with no indication that they are commercial vehicles. The assumption was made that light or heavy trucks should be included in the commercial category with the truck notation appended.

Whereas comprehensive claim totals are presented in Table 7, as provided by the insurers, Table 8 indicates the number of comprehensive claims paid by each company during 1998 which resulted from a theft. The number of these claims paid by the various companies ranged from 59 to 188,895 theft claims.

A total of 363,929 claims or 6.1 percent (363,929/5,944,526) of all reported comprehensive claims paid by 12 out of the 13 reporting insurance companies were the result of the theft of a motor vehicle or the theft of its contents or components. (The total of all comprehensive claims, excluding Auto Club of Michigan which did not report theft claims, was 6,417,589 - 473,063 = 5,944,526) As noted in Table 8, two companies reported only vehicle thefts rather than total thefts and one company excluded theft of CB or radio equipment.

Two rental and leasing companies also indicated the number of thefts from their fleets during 1998.

Table 9 presents the number of thefts reported by each rental and leasing company. The companies reported a total of 1,361 thefts during 1998.

5.2 Proportion of Theft Claims Due to Vehicle Theft

Responding under paragraph (d)(2)(ii)(B) of the NHTSA Reporting Requirements, insurers indicated their estimate of the proportion of theft claims paid during 1998 which resulted from the theft of motor vehicles. This classification would exclude claims resulting solely from the theft of vehicle contents or components.

These estimates are presented by company in Table 10. The proportion of theft claims which resulted from the theft of motor vehicles varied by company and ranged from 44.7 to 100.0 percent.

Overall, motor vehicle theft accounted for 50.0 percent of all theft claims paid by the 3 insurance companies which provided these estimates. For these 3 companies the total number of vehicle thefts was 114,478 out of 229,111 claims that arose from a theft. These totals underestimate the number of vehicle thefts experienced by insurers subject to the reporting requirements, since 10 insurers did not provide a percentage breakdown of vehicle thefts for the theft claims they reported.

Table 8. Theft Claims Paid By Reporting Ins. Co. (1998)

Insurer	Number of Claims	
	All Vehicles	Commercial
Allstate Insurance Company	62,875	594[2]
American Family Group	3,761[1]	
American International Companies	1,386	476
Auto Club of Michigan	NA	
California State Automobile Association	7,719[3]	
CNA Insurance Companies	6,704	
Concord Group Insurance Company	59	19[2]
Farmers Insurance Group	46,489	
GEICO Corporation Group	39,587	
Southern Farm Bureau Casualty Ins. Co. (Ark.& Mass.)	102	
State Farm Insurance Companies	188,895	593
Tennessee Farmers Insurance Companies	629[3]	232[2,3]
Travelers PC Group	5,723	
Totals:	363,929	1,914

[1] Excludes theft of CB or radio equipment
[2] Trucks (includes light and heavy trucks)
[3] Vehicle thefts (total thefts unavailable)

Table 9. Number of Thefts Reported By Leasing Co. (1998)

Insurer	No. of Thefts
	All Vehicles
Budget Rent-a-Car Corporation	1,083[1]
Dollar Rent-a-Car Systems, Inc.	278
Totals:	1,361

[1] Vehicle thefts only

Table 10. Proportion of Theft Claims Paid Due to Vehicle Theft (1998)

Insurer	Proportion of Claims	
	All Vehicles	Commercial
Allstate Insurance Company	NA	
American Family Group	NA	
American International Companies	NA	
Auto Club of Michigan	NA	
California State Automobile Association	NA	
CNA Insurance Companies	NA	
Concord Group Insurance Company	NA	
Farmers Insurance Group	NA	
GEICO Corporation Group	74.3	
Southern Farm Bureau Casualty Ins. Co. (Ark. & Miss.)	NA	
State Farm Insurance Companies	44.7	
Tennessee Farmers Insurance Companies	100.0	
Travelers Property Casualty Ins. Co. (Ark)	NA	

5.3 Insurance Losses Under Comprehensive Coverage During 1998

Under paragraph (d)(2)(iii) of the NHTSA Reporting Requirements, insurers identified the total payments issued to policyholders during 1998 for claims filed under comprehensive coverage.

The dollar losses under comprehensive coverage are presented by company in Table 11. These losses varied from over 3.3 million to over 2.4 billion dollars. The combined comprehensive losses for the companies reporting this information totaled over 5.5 billion dollars for all vehicles and over 118 million for commercial vehicles. In this latter total, light and heavy truck designations were considered as commercial vehicles.

5.4 Losses Due to Theft

Under paragraphs (d)(2)(iv)(A)(1) and (d)(2)(iv)(A)(2) of the NHTSA Reporting Requirements, insurance companies indicated the total payments issued to policyholders during 1998 as a result of theft and the percentage of all theft loss payments due to thefts of motor vehicles. Rental and leasing companies also indicated the dollar value of losses associated with vehicles stolen from their fleets during 1998 which were not covered by any insurance company.

5.4.1 Insurer Losses Due to Theft

Table 12 identifies reported theft and vehicle theft losses during 1998 by insurance company. The theft losses varied from approximately $180,000 to over $546 million. In total, these companies reported theft losses in excess of $1.2 billion during 1998. Vehicle theft losses accounted for over half of this total loss (over $639 million was due to vehicle theft), which is an underestimate since many companies did not report vehicle theft losses.

5.4.2 Proportion of Theft Losses Due to Vehicle Theft

Table 13 presents the proportion of theft losses attributable to vehicle theft as estimated by each insurance company. These estimates varied between companies with total vehicle theft losses comprising anywhere from 83.7 to 100.0 percent of all theft losses. Relative to total comprehensive losses, total vehicle theft losses range from 9.6 percent to 44.9 percent. (Theft losses as a percent of comprehensive losses ranged from 4.7 to 29.4).

Table 11. Losses Under Comprehensive Coverage Paid By Reporting Ins. Co. (1998)

Insurer	Comprehensive Losses ($)	
	All Vehicles	Commercial
Allstate Insurance Company	1,025,962,601	14,817,570[1]
American Family Group	143,432,071	
American International Companies	134,727,949	75,138,598
Auto Club of Michigan (MI)	403,955,297	
California State Automobile Association	148,659,965	
CNA Insurance Companies	163,558,189	
Concord Group Insurance Company	3,397,538	747,458[1]
Farmers Insurance Group	608,060,463	
GEICO Corporation Group	292,617,583	
Southern Farm Bureau Casualty Ins. Co. (Ark. & Miss.)	46,343,271	
State Farm Insurance Company	2,435,416,774	11,828,845
Tennessee Farmers Insurance Companies	53,436,097	16,212,719[1]
Travelers PC Group	124,763,593	
Totals:	5,584,331,391	118,745,190

[1] Commercial = Light Trucks + Heavy Trucks

Table 12. Theft Losses Paid By Reporting Ins. Co. (1998)

Insurer	Theft Losses ($) - All Vehicles	
	Vehicle Theft	Theft
Allstate Insurance Company	NA	301,316,476
American Family Group	NA	10,302,002
American International Companies	NA	6,372,408
Auto Club of Michigan	NA	NA
California State Automobile Association	45,975,536	NA
CNA Insurance Companies	NA	23,460,598
Concord Group Insurance Company	NA	179,881
Farmers Insurance Group	NA	145,354,761
GEICO Corporation Group	131,590,369	138,416,542
Southern Farm Bureau Casualty Ins. Co.	NA	2,188,437*
State Farm Insurance Companies	457,313,137	546,156,246
Tennessee Farmers Insurance Companies	5,111,026	5,111,026
Travelers PC Group	NA	27,855,388
Totals:	639,990,068	1,206,713,765

*Mississippi only

Table 13. Percentage of Comprehensive and Theft Losses Due to Vehicle Theft (1998)

Insurer	Proportion of Losses (%) - All Vehicles	
	Relative to Total Theft Losses	Relative to Total Comprehensive Losses
Allstate Insurance Company	NA	NA (29.4)[1]
American Family Group	NA	NA(7.2)[1]
American International Companies	NA	NA (4.7)[1]
Auto Club of Michigan	NA	NA
California State Automobile Association	NA	30.9
CNA Insurance Companies	NA	NA (14.3)[1]
Concord Group Insurance Company	NA	NA (5.3)[1]
Farmers Insurance Group	NA	NA (23.9)[1]
GEICO Insurance Group	95.1	44.9
Southern Farm Bureau Casualty Ins. Co.	NA	NA (9.0)[2]
State Farm Insurance Companies	83.7	18.8
Tennessee Farmers Insurance Companies	100.0	9.6
Travelers PC Group	NA	NA (22.3)[1]

(1) Theft Losses as a percentage of comprehensive losses.
(2) Theft Losses as a percentage of comprehensive losses in Mississippi only.

Overall, thefts of motor vehicles accounted for 86.1 percent of the dollars paid for all theft losses for the three insurance companies which provided data on both all theft and vehicle theft losses. The theft loss total for these three companies was $689,683,814 while the vehicle theft losses amounted to $594,014,532. Assuming this percentage is valid for all 11 companies reporting total theft losses, thefts of motor vehicles are estimated to have cost these companies over $1.038 billion (.861 x 1.206 billion (Table 12)) in 1998. This represents 20.6 percent (1.038 billion/5.032 billion (Table 11)) of the total comprehensive losses for these 11 companies.

5.4.3 Vehicle Theft Losses Reported by Rental and Leasing Companies

The losses sustained by rental and leasing companies during 1998 as a result of theft was reported by one company, Budget Rent-a-Car Corporation, as shown in Table 14.

5.5 Net Losses Due to Vehicle Theft

Under paragraph (d)(2)(iv)(B) of the NHTSA Reporting Requirements, two insurers and one leasing companies specified the net losses sustained during 1998 as a result of vehicle theft. These net losses were: $6,372,408 (American International Group); $636,093 (CNA Insurance Companies); and $747,027 (Dollar Rent-A-Car). These losses totaled $7,755,528. In the case of American International, the figure includes both passenger and commercial vehicles and is substantially higher than the 1997 figure of $2,903,850.

5.6 Dollars Recovered by Insurers Through the Sale of Recovered Vehicles and Parts

In response to paragraph (d)(2)(v)(A) of the Reporting Requirements, insurers indicated the total dollars recovered through the sale of recovered vehicles, major parts recovered not attached to the vehicle, or other recovered parts, after having already paid their policyholders.

The amounts recovered during 1998 are presented by insurer in Table 15. These statistics were provided by 10 insurance companies. The individual insurers recovered amounts up to $33,515,211.

Companies reporting under this requirement recovered a total of approximately $67.9 million during 1998 through the sale of recovered vehicles and parts.

Table 14. Vehicle Theft Losses ($) Paid By Reporting Leasing Co. (1998)

Insurer	Theft Losses ($)
	All Vehicles
Budget Rent a Car Corporation	$1,500,474
Dollar Rent-a-Car Systems, Inc.	NA
TOTALS	$1,500,474

Table 15. Dollars Recovered by Reporting Co. from Sale of Recovered Vehicles (1998)

Insurer	Amount Recovered ($)	
	All Vehicles	Commercial
Allstate Insurance Company	33,515,211	435,125[1]
American Family Group	5,467,759	
American International Companies	414,459	272,893
Auto Club of Michigan	NA	
California State Automobile Association	4,781,725	
CNA Insurance Companies	9,208,494	
Concord Group Insurance Company	3,800	2,500[1]
Farmers Insurance Group	NA	
GEICO Corporation Group	12,099,735	
Southern Farm Bureau Casualty Ins. Co. (Ark)	135,520	
State Farm Insurance Companies	NA	
Tennessee Farmers Insurance Companies	105,542	46,824[1]
Travelers PC Group	2,202,235	
TOTALS	67,934,480	757,342

[1] Commercial = Light Trucks + Heavy Trucks

5.7 Proportion of Money Retrieved Which Resulted from Vehicle Thefts

Responding to paragraph (d)(2)(v)(B) of the NHTSA Reporting Requirements, insurers provided estimates of the percentage of all dollars recovered through the sale of recovered vehicles, components or contents in 1998 (provided under paragraph (d)(2)(v)(A)) which were directly attributable to the theft of whole motor vehicles. In addition, the insurers indicated how they arrived at this estimate.

Table 16 presents these estimates by insurance company. The two estimates of the proportion of dollars recovered arising from vehicle thefts were 99.7 and 100 percent of all dollars recovered through the sale of recovered vehicles, contents or components.

The intention was that estimates offered by the insurers were obtained by dividing the dollars recovered from vehicle thefts by the dollars recovered from all thefts. Two estimates provided percentages of the dollars recovered relative to other totals.

5.8 Comprehensive Claims for High Risk Vehicles

Under paragraph (d)(2)(vii) of the NHTSA Reporting Requirements, insurers were requested to identify the number of comprehensive claims and the amounts paid for vehicles designated as posing a high risk of theft.

As noted in Section 4, almost all of the reporting insurers indicated that they did not specifically designate lines for premium penalties on the basis of theft potential. Only one company, California State Automobile Association, identified high risk vehicles, and the number of claims for these vehicles and the amounts paid during 1998.

The California State Automobile Association considers three categories of high theft risk vehicles. The number of claims and dollar amounts paid during 1998 for each category are as follows:

Category	No. Of Theft Claims	Dollars Paid
High Exposure	6,564	$8,716,285
*Selected	5	$ 5,342
Limited	57	$ 77,679

*The "Selected Vehicle" classification was eliminated in a rate change effective 5/1/96. The loss data represents losses incurred in calendar year 1998 on vehicles with policies effective prior to 5/1/96 and with the old "Selected Vehicle" classification.

Table 16. Proportion of Dollars Retrieved Which Arose From Vehicle Theft (1998)

Insurer	Proportion of Retrieved Dollars	
	All Vehicles	Commercial
Allstate Insurance Company	NA	
American Family Group	NA	
American International Companies	4.46[2]	7.56[2]
Auto Club of Michigan (MI)	NA	
California State Automobile Association	72.0[1]	
CNA Insurance Companies	NA	
Concord Group Insurance Company	NA	
Farmers Insurance Group	NA	
GEICO Corporation Group	99.7	
Southern Farm Bureau Casualty Ins. Co.	NA	
State Farm Insurance Companies	NA	
Tennessee Farmers Insurance Companies	100.0	
Travelers PC Group	NA	

[1] Percentage of total recovered theft dollars (reported in item (j)) relative to total dollars reported as salvage from vehicle theft.
[2] Percentage of total recovered theft dollars (reported in item (j)) relative to the sum of these dollars and the total dollars paid out for theft ((h) + (j)).

American International Companies claims no thefts involving vehicle types where the companies would charge insurance premium penalties.

Travelers Property Casualty stated that there is no premium penalty for high risk vehicles. Southern Farm Bureau Casualty Insurance Companies take no action to reduce comprehensive coverage premiums because of a reduction in theft for specific vehicle groupings.

Vehicle rate modifications for GEICO are based on the loss data reported by ISO.

American Family Insurance Group identified vehicles more likely to be stolen but does not aggregate claims or dollars paid by those vehicle types.

6. PROGRAMS TO REDUCE COMPREHENSIVE PREMIUMS DURING 1998

This section describes programs undertaken by insurers to reduce comprehensive rates due to a reduction in vehicle thefts. This information was supplied under paragraphs (e) and (f) of the NHTSA Reporting Requirements, and includes:

- Actions taken to reduce rates due to a reduction in motor vehicle thefts (paragraph (e), Section 33112 (c) (D) of Chapter 331).
- The conditions to be met to receive such a rate reduction (paragraph (e)(1), Section 33112 (c) (D) of Chapter 331).
- The number of vehicles and policyholders receiving these rate reductions (paragraph (e)(2), Section 33112 (c) (D) of Chapter 331).
- The difference in average comprehensive premiums between those receiving reductions and those who did not (paragraph (e)(3), Section 33112 (c) (F) of Chapter 331).
- The specific criteria used by the insurer to determine if a vehicle is eligible for a premium reduction if equipped with one or more anti-theft devices (paragraph (f)(1), Section 33112 (c) (F) of Chapter 331).
- The total number of thefts in 1998 of vehicles which received a premium reduction since they were equipped with a qualifying anti-theft device (paragraph (f)(2), Section 33112 (c) (F) of Chapter 331).
- The total number of recovered vehicles which received a premium reduction for an anti-theft device (paragraph (f)(3), Section 33112 (c) (F) of Chapter 331).

These topics are discussed in the sections which follow.

6.1 Insurer Actions to Reduce Comprehensive Rates and the Conditions to Qualify for Rate Reductions

Most of the insurers indicated that they do not employ rating procedures specifically aimed at reducing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has been reduced. Existing rating procedures would generate lower rates for <u>all</u> passenger cars in a rating territory when comprehensive losses or combined comprehensive and collision losses for the territory are reduced.

Thus, rates are most often lowered when actuarially justified by a reduction in losses without the cause of the loss being specifically considered. It was indicated that while the theft portion of the comprehensive premium is based upon the actual experience of each make and model, it is possible that the theft rate may <u>decrease</u> while the overall comprehensive rate <u>increases</u> due to other losses and changes in the relative value of the vehicle. Two companies (FIG and CNA) indicated that motor vehicles less likely to be stolen will be "down symboled", that is, assigned a lower symbol than it would receive based on the MSRP (Manufacturer's Suggested Retail Price) resulting in a lower premium. American Family provides for a reduction in premiums for comprehensive insurance coverage due to a reduction in vehicular theft only when that experience has been shown to warrant such a reduction. The relative loss experience, or relative value assigned by the industry, must be such that a reduction in combined comprehensive and collision insurance premium is actuarially justified. Some insurers indicated, that the conditions to be met to receive such a reduction were "ISO supplied", or based on the Vehicle Series Rating Program.

Several of the insurers indicated that they employed credits or comprehensive premium discounts or waiver of the comprehensive deductible for passenger cars equipped with some form of theft deterrent (anti-theft) device. These devices or markings include:

- A device which will disable the vehicle by making the fuel, ignition or starting system inoperative. Active disabling devices require a separate manual step to engage the device; whereas, passive disabling devices do not require a separate manual step to be engaged.

- Window Glass Etching

- Original equipment anti-theft devices or marked parts

- Vehicle Recovery Systems

- The Combat Auto Theft (CAT) program

To receive a discount on comprehensive coverage premium, the insured must file an application for discount identifying the type of anti-theft device.

6.2 Number of Rate Reductions Issued in 1998

Table 17 identifies the number of vehicles and policyholders which received premium reductions during 1998. Complete information was supplied by three of the companies which issued reductions for vehicles equipped with anti-theft devices.

The information available indicates that 1,201,726 policyholders and 1,477,326 vehicles insured by reporting companies received premium reductions during 1998.

Table 17. Vehicles and Policyholders Receiving Premium Reduction (1998)

Insurer	No. of Vehicles	No. of Policyholders
Allstate Insurance Company	NA	NA
American Family Group	28,786[(1)]	105,814[(1)]
American International Companies	916,226	682,536
Auto Club of Michigan	NA	NA
California State Automobile Association	NA	NA
CNA Insurance Companies	NA	NA
Concord Group Insurance Company	NA	NA
Farmers Insurance Group	532,314	412,804
GEICO Corporation Group	NA	NA
Southern Farm Bureau Casualty Ins. Co.	NA	NA
State Farm Insurance Companies	NA	NA
Tennessee Farmers Insurance Companies	NA	NA
Travelers PC Group	NA	572
TOTALS	1,477,326	1,201,726

[(1)] Policies and vehicles in 1998 in Minnesota and Illinois combined for vehicles receiving an anti-theft device discount.

6.3 Size of Discounts Offered by Insurers

CNA and Auto Club of Michigan provided information on discounts for vehicles equipped with an anti-theft device. These included the following:

- 5 percent discounts for vehicles equipped with an alarm or active disabling devices
- 10-15 percent discounts for passive disabling devices
- 5 percent discount for window identification system
- 15 percent discount with vehicle recovery system
- 5 percent discount for the Combat Auto Theft (CAT) Program*
- 25 percent discount for VATS or Pass Key Device**

*The Combat Auto Theft (CAT) Program is a voluntary vehicle registration program. Residents voluntarily register their personal vehicles with the police department. Once registered, they receive a CAT Program decal to place in the lower left corner of their vehicles rear window which gives law enforcement permission to do an investigative stop of the vehicle during the hours of 1:00 am to 5:00 am to determine if the vehicle has been stolen.

**The VATS/Pass Key theft prevention device utilizes a resistor-embedded ignition key and a decoder module. The VATS decoder module must measure the proper key resistance when the vehicle is started or the vehicle's fuel pump system/starter will be disabled.

In instances when a vehicle is equipped with more than one qualifying device, the highest single eligible discount applies. Premium differences can vary from state-to-state.

Table 18 shows only three responses, 5-25% discount at Auto Club of Michigan, 5-15% discount at CNA and $83 difference in premiums for anti-theft equipped vehicles versus non-equipped vehicles at Farmers Insurance Group.

Table 18. Difference in Comprehensive Premiums Between Policyholders With and Without Rate Reductions (1998)

Insurer	Premium Difference in Dollars	Premium Difference in Percent
Allstate Insurance Company	NA	NA
American Family Group	NA	NA
American International Companies	NA	NA
Auto Club of Michigan	NA	5-25[1]
California State Automobile Association	NA	NA
CNA Insurance Companies	NA	5-15
Concord Group Insurance Company	NA	NA
Farmers Insurance Group	83	NA
GEICO Corporation Group	NA	NA
Southern Farm Bureau Casualty Ins. Co.	NA	NA
State Farm Insurance Companies	NA	NA
Tennessee Farmers Insurance Companies	NA	NA
Travelers property Casualty	NA	NA

(1) In State of Michigan

6.4 Eligibility Criteria for Anti-Theft Rate Reductions

Nine companies reported offering a reduction in rates for automobile comprehensive coverage to policyholders for vehicles equipped with certain theft deterrent devices.

Some insurers indicated that these reductions were not voluntary and were offered only in states in which they were required by law such as Michigan. State Farm cited discounts in thirteen such states. GEICO discounts in 47 states. A variety of hood and ignition locks, alarms, passive or active disabling devices, and fuel or ignition cut-off systems were cited by the insurers as qualifying for the discount. Typical devices cited by the insurers for this purpose are identified in Table 19.

Table 19. Typical Devices Qualifying for Anti-Theft Credits

- Hood lock releasable only from inside the vehicle or electrically operated or armored cable
- An ignition or starter cut-off switch
- Passive ignition cut-off switch
- A non-passive or passive operated alarm
- Passive collar or shield
- Alarm activated by door
- Armored cable or electrically operated hood lock and ignition cut-off switch
- A non-passive or passive disabling device
- A passive alarm system which includes a motion detection device
- A non-passive externally or internally operated alarm
- A high security ignition replacement lock
- A passive or non-passive fuel cut-off system
- A passive ignition cut-off system which disables one or more components such that the engine cannot be started or hot wired, or a passive ignition lock protective system
- Active or passive devices that disable the vehicle so that fuel, ignition or starting systems are inoperable
- VIN etched on all windows and on or near front and rear bumpers
- Window identification system
- Non-passive steering wheel lock or removal lock
- Vehicle recovery system device
- Steering column armored collar
- Passive time delay ignition system
- Combat Auto Theft (CAT) program
- VATS or Pass Key Device
- Emergency or hydraulic handbrake lock

- Car transmission lock
- Door, hood or trunk sensor
- Alarm only device
- Passive multi-component cut-off switch
- Passive computer based system that disables the starting, ignition and fuel circuits when tampering of the steering column is detected
- A non-passive internally operated alarm also equipped with a forced action prompter
- Anti-hot-wiring circuit
- Glass sensor, vibration sensor, motion sensor, or ultrasonic sensor
- Participation in an Anti-Theft Program
- Device must sound alarm, cause vehicle horn to sound, cause vehicle lights to flash, or render vehicle inoperable

Note: Not all devices are recognized by all companies which offer anti-theft device credits.

6.5 Thefts and Recoveries of Vehicles With Anti-Theft Devices

Five of the insurers identified the number of claims filed during 1998 for stolen vehicles subject to a premium reduction for an installed anti-theft device. Recovery information for these vehicles was provided by three of the insurers.

This theft and recovery information is presented in Table 20. A total of 92,789 thefts of vehicles with anti-theft devices were reported by these insurers in 1998. Recovery rates varied from 1.0 to 10.3 percent. GEICO claimed an additional 7,843 stolen vehicles recovered unknown.

Table 20. Thefts and Recoveries of Vehicles Receiving Anti-Theft Discounts (1998)

Insurer	Number Stolen	Number Recovered	Percent Recovered
Allstate Insurance Company	71,167	3,527	5.0
American Family Group	8,467	79	1.0
American International Companies	NICB	NICB	NA
Auto Club of Michigan	NA	NA	NA
California State Automobile Association	NA	NA	NA
CNA Insurance Companies	1,444	NA	NA
Concord Group Insurance Company	NA	NA	NA
Farmers Insurance Group	2,968	NA	NA
GEICO Corporation Group	8,743	900 (2)	10.3
Southern Farm Bureau Casualty Ins. Co.	NA	NA	NA
State Farm Insurance Companies	(1)	NA	NA
Tennessee Farmers Insurance Companies	NA	NA	NA
Travelers PC Group	(3)	NA	NA
TOTALS	92,789	4,506	5.1 (4)

(1) Thefts were reported in a frequency per 1000 policies for 11 states varying from 1.7 to 15.2 per 1000 policies.
(2) GEICO claims an additional 7,843 stolen vehicles "recovered unknown".
(3) Number reported (242,772) not accepted as correct.
(4) Percentage relative to the total number stolen for the three companies recording recoveries (4506 / 88377 = .051)

7. INSURER ACTIONS TO ENCOURAGE REDUCTIONS IN VEHICLE THEFTS DURING 1998

This section describes actions taken by insurance, rental and leasing companies to encourage a reduction in motor vehicle theft. It also describes company policies regarding the use of used parts and precautions taken to identify the origin of used parts.

7.1 Actions to Assist Reduction in Vehicle Thefts

Under paragraph (g)(1) of the Reporting Requirements, insurers identified a variety of actions taken to assist in deterring or reducing thefts of motor vehicles. Insurers also identified why they believed these actions would be effective.

Actions cited by insurance companies to deter or reduce thefts include:

1) Membership in organizations such as the National Insurance Crime Bureau (NICB). This includes financial support, and the exchange of information on stolen vehicles. Insurers use the services of the NICB to help identify fraudulent claims and track the Vehicle Identification Number (VIN) of stolen vehicles. This information is used to inhibit efforts to unlawfully resell, retitle and reinsure a stolen vehicle.

2) Providing incentives to policyholders to promote use of theft deterrent techniques to reduce vehicle theft. These incentives include rate reductions for vehicles equipped with anti-theft devices and programs providing free VIN etching on glass and other parts. Part etching is intended to reduce the ease that a stolen vehicle or its parts can be sold. Several companies specifically mentioned VIN etching.

3) Providing and advertising cash reward programs for information which leads to the arrest and conviction of motor vehicle thieves. This policy has been found by one of the insurers to be particularly effective in rural areas. Insurers also present awards to individuals who excel in efforts to deter thefts and enhance recoveries. These awards encourage further efforts in these activities.

4) State Farm has encouraged legislation to permit the retirement of motor vehicle titles, and the disposal of salvage by bill of sale, in those cases in which the salvage cannot, or should not, be rebuilt. State Farm believes that the retirement of titles would diminish the potential for VIN switches and resale of stolen motor vehicles. State Farm participates in several organizations which are dedicated to reducing motor vehicle theft. Participation includes the exchange of ideas and information, development of policies and procedures which inhibit traffic in stolen parts, and the education of their investigators as to theft investigation techniques. These organizations include the Midwest Task Force (concerned with title laws), the International Association of Automobile Theft Investigators; The Western States Association of Theft Investigators and the NICB. On a limited basis, State Farm has made vehicles available to recognized law enforcement and investigative bodies for use in undercover theft investigation. They believe such action is needed in order to support the efforts of those officials whose purpose it is to break up theft rings and fencing operations which deal in stolen vehicle parts.

5) American Family encourages personnel participation in various industry organizations dedicated to combating vehicle theft and other insurance fraud, i.e. the Vehicle Theft Task Force and the Wisconsin Interstate Fraud Network. This type of activity is promoted and encouraged as a means of maintaining dialogue with other members of the insurance industry dedicated to eliminating such fraudulent, felonious practices.

6) California State Automobile Association (CSAA) published articles concerning auto theft prevention in the CSAA magazine, VIA. They believe that public awareness is the most effective means of prevention. A VIN etching program is being offered to members. Members in the San Francisco Bay Area who own select automobiles will be able to have the vehicles' VIN number etched on all windows as a deterrent to theft. CSAA has implemented the necessary software needed to participate in the NICB VIN Assist Program, which checks the VIN number to determine if the recovered vehicle is the one described by that VIN number. CSAA exchanges information with and assists law enforcement agencies at every opportunity; presenting awards to those officers who excel in their efforts to deter thefts and enhance recovery. Presentations and news releases to the media related to auto theft are made and a "Tips For Preventing Car Theft" fact sheet has been produced and made available for media publication. CSAA feels that a cooperative effort between the insurance industry and law enforcement is a key factor in prevention and recovery. CSAA is a member of the NICB which is most effective in their efforts to prevent thefts and affect recovery. CSAA exchanges data electronically with NICB on a daily basis.

7) Farmers Insurance Group participates in anti-theft activities such as the HEAT (Help Eliminate Auto Theft) program. This program provides a 24-hour hotline where people may report the theft of motor vehicles and may receive a reward. Assistance to local law enforcement agencies on the prosecution of fraud cases has also helped reduce automobile theft problems. Farmers Insurance Group is an active member of the NICB. They cooperate with the NICB and law enforcement agencies on the investigation of both single thefts and organized theft rings. They have supplied salvage vehicles for "sting" operations which have resulted in the breakup of theft rings and chop shops. They also report every theft and salvage recovery to law enforcement agencies to assist them with their theft prevention activities. Farmers Group, Inc. also utilizes two auto VIN Marking programs in all states except Illinois, Texas and Michigan. In their leasing activity, supervisors instruct company drivers to always lock their cars and garage the vehicle at night, if possible.

8) GEICO's actions: membership in/NICB which provides a centralized data base for the insurance industry to aid in detecting theft patterns, theft "rings" and compiling data helpful for deterring future thefts; <u>SIU's</u> - Special Investigation Units in GEICO's five regional offices are assigned suspicious total theft claims for investigation; <u>ACT Groups</u> - GEICO supports various anti-car theft groups and the AVP of claims in the New York area is the Chairman of the NY/NJ Act Committee and the claims AVP in Washington is Chairman of the D.C.-Maryland-Virginia IMPACT (Industry Merged with Police Against Car Theft) Committee. GEICO has

contributed both financially and with technical advice to various police jurisdictions for theft awareness programs and belongs to the NICB.

9) Travelers Insurance Group is involved in a number of areas, which they believe, assist in the reduction or deterrence of motor vehicle thefts.

A. Travelers reports all theft and recovery information to the NICB where a database of all prior and current theft, recovery and total loss data is maintained. This database allows insurers and law enforcement agencies to share data and discourages attempts by individuals to report the same vehicle as stolen more than once. It also hinders attempts by car theft rings to sell stolen parts which are VIN stamped for use on other vehicles or to purchase previously totaled vehicles in attempts to insure them and report fraudulent theft claims.

B. Travelers works closely with the Insurance Fraud Bureau and local, state and national law enforcement agencies to report and prosecute fraud in auto theft. They believe that by this association they make more effective use of their resources to uncover auto theft rings and reduce auto theft fraud.

C. Travelers established a Special Investigative Unit (SIU) in the mid 1980's to respond to the growing trend in insurance fraud. Travelers Insurance Group aligned the SIU under the Travelers Investigative Services Division (TIS) in 1995. The Investigative Services Division currently has approximately 100 investigators, 8 supervisors, 13 Investigations Managers, 7 Directors and multiple support personnel to investigate fraud. TIS acts as a partner with each local field office to uncover fraud. Historically, the SIU has been staffed mostly by former law enforcement personnel who possess extensive investigative skills prior to their employment with Travelers Insurance Group.

D. The SIU has four primary objectives.

- To establish systematic and effective methods to detect and investigate suspected fraudulent claims and to provide for their appropriate disposition.
- To conduct confidential investigations into suspected fraudulent activities in conjunction with local claim office personnel and attorneys specializing in fraudulent claim activity.
- To educate and train claim and underwriting personnel to identify possible insurance fraud through matching specific claim patterns or trends indicating possible fraud against specific "red flags" which have been shown in the past to indicate potential fraudulent activity.
- To facilitate communication with the Insurance Fraud Bureau, the NICB and law enforcement agencies and to report suspected fraudulent claims to them when deemed appropriate.

E. Travelers Insurance Group claim and underwriting personnel are encouraged to participate in seminars sponsored by local law enforcement agencies. They believe these types of seminars allow them to obtain information and ideas to pass along to their policyholders to help them prevent the theft of their vehicles. The free exchange of ideas and experiences between insurance personnel and law enforcement officers allows them to be more cognizant of the elements of vehicle theft which in turn helps their policyholders in preventing or reducing theft claims.

10) Southern Farm Bureau has established a cash reward program for information leading to arrest and conviction of persons committing theft from a Farm Bureau member's residence. This reward is advertised in company and local newspapers as well as on signs posted on the premises. The company feels this practice has been particularly effective in rural areas. Southern Farm Bureau requires all theft losses to be reported to the local law enforcement. They conduct a thorough investigation of each loss. They also follow up with the local law enforcement to see what progress is made on the case, and to encourage them to conduct a full investigation. They feel this requirement may deter some theft losses because people are aware that the thefts are being reported to the authorities and a thorough investigation will be conducted. In 1998, SFB of Arkansas was a member of the NICB and all thefts were reported to them and merged into a network with the law enforcement and other agencies toward the detection of fraud and the recovery of such property. SFB periodically mails policyholders safety hints and tips on reducing the possibilities of theft of personal property, including automobiles.

11) Investigative Options, formerly, CNA Investigations, was one of the first insurance companies to establish a Special Investigations Unit and they continue to be a leader in the industry's anti-fraud efforts. They, as a corporation, through their underwriting and claim operations, participate with several anti-car theft committees and law enforcement agencies in public awareness and education programs concerning the problem of vehicle thefts. CNA strongly supports the Motor Vehicle Theft Prevention Councils and has loaned vehicles to multi-jurisdictional task force operations who pro-actively investigate individuals involved in organized motor vehicle theft activities. These Councils also provide statewide public awareness and education programs to encourage drivers to be aware of methods they can use to reduce the chance of their vehicle being stolen. CNA's Jay Williams, Vice President, Investigative Options, has been invited on several occasions to attend the annual meetings of the Illinois Motor Vehicle Theft Prevention Council and has provided testimony concerning the impact of motor vehicle thefts on the insurance industry.

CNA is strongly committed to identifying, investigating and defending against fraudulent claims. This commitment is fulfilled through a teamwork approach integrating their front-line technicians, claim management, and CNA Investigations.

Currently, there are 130 members of CNA Investigations staff with one or more investigators in each of its major branch offices across the nation. These professionals have extensive investigative experience to handle virtually every kind of claim investigation including auto thefts. Over the years, their program has saved millions of dollars on the investigations of fraudulent claims.

CNA's Claims Department routinely investigates all automobile theft claims. The following are several actions in which CNA actively participates in the deterrence and reduction of vehicle theft:

- CNA's market support department has consistently produced radio and print advertisements informing the public that the company actively investigates suspicious claims.

- A Corporate Claim Policy relating to the reporting and control of potential fraud or arson claims has been published and in use since 1983.

- The public's knowledge that a Special Investigations Unit actively participates in claim investigations is a deterrent to those engaged in fraudulent activities.

- CNA's Investigators individually belong to professional associations and groups whose purpose is to educate investigators and prevent criminal activity.

- Investigative Options staff frequently made fraud awareness presentations at industry fraud symposiums detailing CNA's Anti-Fraud campaign and investigative methods.

- An Investigative Options Newsletter is published for CNA personnel, insureds and agents. Articles include case studies, technical tips, statistical information and pertinent general information.

- CNA's Investigators frequently meet with corporate insureds to promote fraud awareness and to train select employees in avoiding circumstances that might lead to the perpetration of a fraudulent claim.

- Investigative Options established a Fraud Hotline for the reporting of suspicious claims.

12) AAA Michigan has been active in a number of anti-theft programs over the years: theft reward programs; special auto theft unit with 19 professionals plus support staff investigates all suspicious thefts reported to AAA Michigan/Wisconsin; loaner vehicles for federal, state and local law enforcement undercover and sting efforts; staff assistance to law enforcement in theft investigations; expert witness testimony in court cases; extensive public awareness programs including statewide VIN Etch Programs; co-founder and active participation in A.C.T. statewide inter-industry committee; extensive lobbying efforts for anti-theft legislation; one of seven members of Governor's Automobile Theft Prevention Authority which is responsible for annual allocation of over $5.5 million in funds for auto theft programs and education programs for law enforcement officials. All staff of the investigative unit take part in one or more professional anti-theft/anti-fraud or law enforcement organizations.

Actions cited by rental and leasing companies to deter or reduce motor vehicle thefts include:

- Budget Rent-a-Car Corporation ensures that appropriate vehicles are leaving the rental lot; fences and gates and other security devices are used at certain locations to control entrances and exits; rules are enforced to allow only approved company employees access to vehicles for use outside the rental lots; comprehensive title control policies are enforced; weekly physical inventories are performed and reconciled; reports regarding conversion and theft are monitored; rules are enforced at rental counters in order to prevent fraudulent use of credit.

- The following actions are taken by Dollar Rent-a-Car Systems to reduce or deter theft: 1) Installation of Tiger Teeth-reduces the unauthorized removal of vehicles through unsupervised routes. 2) Installation of Steadfast Ignition Switch Collars-prevents steering column tampering. 3) Installation of Kill switch used on vehicles that the Steadfast Collar will not fit. If steering column is tampered with, it prevents engine from starting. 4) Improved lighting deters theft by illuminating the area where vehicles are stored when not in use. 5) Hiring of security guards. 6) Purchase of Security Alarm Package at time vehicle is ordered-available on more costly vehicles only in high theft rate areas.

7.2 Policy Regarding Used Parts

Under paragraphs (g)(2)(i) and (g)(2)(ii) of the NHTSA Reporting Requirements, insurance, rental and leasing companies identified their policies in regard to the use of used parts and the precautions taken to identify the origin of used parts.

Eleven insurance companies specified their policies towards the use of used and after market parts to repair damaged vehicles during 1998. Most of these companies indicated that they allow and promote the use of like kind and quality (LKQ) used parts when feasible to reduce repair costs and/or expedite completion of the repairs while assuring the insured's satisfaction. For some companies, used parts are used if they are fully documented in accordance with state law or through their own adjusting company or established independent adjusting companies, such as the certified Automotive Parts Association, or if the repair agencies can determine the origin of these parts.

Used parts are employed by American International Companies (AIG) where practical and available, or if new parts are unavailable due to the vintage, make and model year of the vehicle.

California State Automobile Association (CSAA), allows utilization of good quality used parts and after market parts in effecting repairs on vehicles they insure but do not allow use of used parts for vehicle suspension, running gear, or any area that affects the safe operation of the vehicle.

Tennessee Farmers Insurance Company uses used parts on certain model vehicles.

American Family Group believes the use of used parts in vehicle repair is an acceptable means of repair cost containment under appropriate circumstances. The use of such used parts is therefore promoted and allowed.

CNA promotes the use of used parts in states that allow repairs to include used parts. CNA uses as a guideline, LKQ parts and assemblies will not be used on current model year vehicles with less than 15,000 miles, unless requested by the policyholder.

CNA obtains parts availability and cost through the CCC computer estimating program, RPV. CNA also calls the salvage yard directly to obtain part cost and, if needed, to locate a hard to find part. They look on the salvage yard "hotline". CNA requires the repair facility to follow I-CAR and TechCor techniques for repair. However, CNA does not police the repair facility as to their record keeping. CNA understands that, currently, there is legislation in place that requires LKQ suppliers (salvage vendors) to document major components of vehicles. For example, front sections, rear sections, motors, drive trans and doors, etc. that correspond to the VIN number of a vehicle from which the components were taken from. The repair industry (body shops) will maintain/document the part and VIN number on the repair order, invoice or work order. The insurance industry's practice is to audit the paper work when they reinspect the vehicle at the repair facility. The insurance industry only reimburses the repair facility or owner of the vehicle and cannot guarantee the origin of the LKQ parts. CNA can only review the repair facilities paper work on a vehicle insured by CNA.

Farmers supports the use of high-quality replacement parts, such as sheet metal parts approved by the Certified Automotive Parts Association, because they can be demonstrated to be of like kind and quality and their presence in the market results in lower costs to consumers without compromising safety. Farmers does not require the use of non-OEM sheet metal parts on any vehicle they pay to repair. If the collision-repair technician agrees that non-OEM parts will result in a quality repair, then non-OEM parts are used. Suggested non-OEM parts are clearly disclosed on the estimate. As long as Farmers is not sacrificing quality, they will choose the most economical part.

Farmers does not have a way to track use of non-OEM vs. OEM parts. However, they know that OEM parts are generally more expensive and the use of non-OEM parts saves their customers money by keeping claims costs down, which keeps premium costs in check.

Most of the responding insurers indicated that they dealt only with reputable repair agencies, used part dealers, licensed salvage dealers, body shops and parts suppliers that they trust through past experience. AIG utilizes its own member adjusting company or established independent adjusting companies who are familiar with the reputable body and/or repair shops in the state where the loss occurred. GEICO does not attempt to identify the origin of used parts but purchases them from reputable vendors.

State Farm encourages the used of used parts in the repair of motor vehicles and believes that by soliciting used parts from known sources, the opportunities to traffic in illegitimate, stolen parts will be diminished. It is the policy of State Farm to include in their repair estimates used parts prices quoted by a recycler who is known to maintain an inventory of parts obtained from legitimate sources. In most instances, the appraiser obtains a "stock number" along with the price quote. It is the responsibility of State Farm management personnel to monitor pool sales and auctions and to determine which buyers actively bid for salvage which will be dismantled for parts. Appraisers are furnished lists of recyclers who should have an adequate supply of legitimate used parts available. Appraisers are instructed to generally contact these recyclers or use the appropriate automated vendor product when searching for used parts.

The indiscriminate placement of orders for used parts through networks or "long lines" tends to encourage thieves to "steal to order" to fill requests for used parts to be used in repairs. Some suppliers who respond to these orders maintain almost no inventory and carry on their business by "brokering" orders to other yards as well as to unknown sources. State Farm believes that "chop shop" operators will be among these unknown sources. Therefore, while "brokering" may be perfectly legitimate in the majority of cases, it may also provide an outlet for stolen parts. By requiring that those sources State Farm uses maintains a substantial parts inventory, they expect to discourage brokering and to close off the outlet for stolen parts.

Where regulations require, it is the policy of State Farm to limit disposal of salvage by sale to licensed recyclers or re-builders. State Farm believes that the sale of salvage to buyers which comes under the purview of a regulatory agency maintains legitimacy in the process of buying and selling used automotive parts. In many cases, such regulated vendors are required to maintain records as to their source of acquisition. Violators are subject to fines and suspension of license. In limiting sales to buyers thus regulated, State Farm encourages the usefulness of such regulations and limits the potential for traffic in stolen parts.

In Arkansas, Southern Farm Bureau Casualty Insurance Company encourages the use of used parts for repairs when feasible. The adjusters call the salvage yard that they feel have a very good reputation in the community and would only receive their parts from sources that are legitimate. The staff adjusters are required to give the body shop or repair agencies the names of where they locate these parts on their estimates. In Mississippi, SFB encourages the use of after-market and LKQ parts when feasible. The claim representative is responsible for locating these parts and determining if proper repairs can be made when these parts are utilized. The claims representative is encouraged to make an effort to identify the person(s) from which these parts are acquired and to work closely with the repair agencies in determining the origin of these parts.

Travelers Insurance Group does promote and allow the use of used and reconditioned original equipment manufacturer (OEM) parts, which are not safety related to effect the repairs on older vehicles. Typically, they do not consider used and reconditioned OEM parts unless the vehicle is more than 2 model years old and has more than 20,000 miles. When a repairable vehicle meets their criteria for used OEM parts consideration, Travelers appraisers typically look for reconditioned OEM parts and include them on the estimate for repairs if the parts are available. The appraiser also lists the source of the reconditioned part on the estimate to aid the policy holder or the repairer in obtaining the part. Travelers informs their policyholders that their vehicle may be repaired with OEM used and reconditioned parts in all cases where these parts are written for the repair of their vehicles.

Travelers Insurance Group makes every effort to locate used parts through reputable salvage parts dealers and body shops. Travelers evaluate their services and reinspect the repairer's work on a number of repaired vehicles on a random basis. Travelers does frequent evaluations of their operations using their appraisal staff to ensure their integrity. They have 6 Regional Physical Damage Managers and 18 re-inspectors located strategically throughout the country who perform due diligence reviews of salvage yard and body shop operations. They also perform re-inspections of appraisals completed by their staff appraisers and the direct repair shops who perform work on their policyholder's vehicles to ensure the appropriate application of their appraisal standards which include the use of used and reconditioned OEM parts.

8. CONCLUSIONS

Motor vehicle theft continued to be a major cause of insurer comprehensive losses during 1998. While thefts represented approximately 6 percent of all comprehensive claims paid by major insurers (Section 5.1), vehicle thefts accounted for 20.6 percent of insurer's comprehensive losses (Section 5.4.2). Thus, 12 of the country's largest insurers received 363,929 claims for the theft of a vehicle or its contents during 1998 (Table 8). Payments for these claims totaled over $1.2 billion (Table 12).

From Table 5, 92,443 vehicles produced during model years 1995-1999 (and insured by 13 major insurers) were reported as stolen during 1998. Of these, 13,881 or 15.0 percent were recovered.

Eighty-seven percent of these stolen vehicles were either not recovered in 1998 or were recovered with major vehicle components missing (Table 5). Starting with model year 1987 vehicles, these components are uniquely marked on lines with high theft rates as required by the Motor Vehicle Theft Law Enforcement Act of 1984. This parts-marking is intended to increase arrests and convictions of auto thieves and deter vehicle theft.

Another goal of the legislation is to induce lower insurance premiums for comprehensive coverage by reducing insurers' vehicle theft losses. The 1998 insurer reports indicate that 11 companies issued over $1.2 billion in claim payments for the theft of a motor vehicle or its contents (Table 12).

Most of the insurers that reported do not assess any surcharge or premium penalty to insure vehicles with high theft rates. In most cases, they do not employ rating procedures specifically aimed at changing comprehensive rates for a given motor vehicle line based on a determination that the theft rate for the line has changed. Many of the companies indicated that their existing rating procedures would generate lower rates for all passenger cars in a rating territory when total comprehensive losses or combined comprehensive and collision losses for the territory are reduced.

Thus, in many instances, the potential benefits of parts marking in reducing insurer theft losses for affected lines, will be dispersed to provide lower insurance premiums for other lines as well. These reductions in premiums could only be expected to occur to the extent that reductions in theft losses are not offset by changes in other losses insured under comprehensive coverage.

9. SUMMARY OF ANNUAL REPORTS

The Annual Insurer Reports indicate that, in 1998, passenger cars accounted for 60.5 percent of the stolen vehicles. Multi-purpose vehicles accounted for 20.3 percent of motor vehicle thefts, while light trucks accounted for 13.5 percent (Table 5). The remaining 5.7 percent of stolen vehicles were heavy trucks together with motorcycles.

The estimated recovery rate of stolen vehicles in 1998 is significantly less than that for 1997, 15.0 percent in 1998 (Table 5) versus 21.2 percent in 1997. With two exceptions, both passenger and non-passenger car recovery rates have been steadily dropping annually since 1989.

Data from Allstate, American Family, and GEICO indicate that, for vehicles equipped with anti-theft devices, 5.1% of these vehicles (4,506 out of 88,377) were recovered in 1998. This is lower than the overall recovery rate of 15.0% for 1998. It should be noted, however, that GEICO claims an additional stolen 7,843 vehicles were "recovered unknown", making GEICO's recovery rate 100%. Under this assumption the recovery rate for anti-theft vehicles would increase to 14.0% ((4,506 + 7,843)/88,377). Although one can speculate that GEICO'S data may be an overestimate, it is possible that the other companies have under reported recoveries by only including recoveries whose status was known.

Procedures and rating characteristics used by insurers to establish comprehensive premiums during 1998 were very similar to those documented by the insurers in previous years. In fact, insurer responses to many of the reporting requirements vary very little each year. However, the level of insurer compliance with the reporting requirements varies substantially among insurers. Although there are 28 reporting requirements for each insurer, individual insurers provided data for as little as 2 and as many as 23 of these requirements. In some of the cases where insurers did not supply the requested information, they indicated that the data was either not available or does not apply to their operation (Table 4). Several insurers indicated that the data was supplied via the ISO or NICB. However, the ISO provides theft and recovery data that responds to only two of the 28 reporting requirements.

Table 21 presents the number of thefts of passenger and non-passenger vehicles up to 4 years in age reported by participating insurers for 1987 through 1998. Non-passenger cars include light trucks, heavy trucks, MPV's and motorcycles. This data was furnished on behalf of participating insurers by the National Insurance Crime Bureau (NICB) and the Insurance Services Office (ISO).

It is difficult to determine trends in vehicle thefts over time from this information since:

- the number of insurers subject to the annual insurer reporting requirements differs from year to year
- the mix of insurers subject to the requirements who fully respond to the requirements differs each year
- the recovery data from year to year may not be strictly comparable because the aggregation of recoveries may not be done over the same elapsed time from year to year; a longer elapsed time would result in increased numbers of recoveries for that year.

Table 21. Number of Reported Vehicle Thefts for Vehicles Up to 4 Years in Age

Year	Passenger Cars	Non Passenger Cars	Total
1987	87,592	27,066	114,658
1988	38,152	19,564	57,716
1989	96,480	42,331	138,811
1990	75,761	34,524	110,285
1991	74,033	44,129	118,162
1992	60,569	40,298	100,867
1993	55,282	35,778	91,060
1994	52,385	34,063	86,448
1995	52,389	34,604	86,993
1996	63,705	42,156	105,861
1997	79,923	49,992	129,915
1998	55,927	36,516	92,443

These factors are less significant in discerning trends over time for the *percentage of recovered* stolen vehicles than for the *number* of stolen vehicles. The percentage of recovered vehicles up to 4 years in age reported for 1987 through 1998 is presented in Table 22 for passenger cars, and Table 23 for non-passenger cars.

Table 22. Percent Recoveries of Passenger Cars and their Condition

Year	% of All Recovered Vehicles			Total No. of Recovered Vehicles	% of Passenger Cars Recovered
	Intact	In-Whole	In-Part		
1987	17.2	67.1	15.6	63,053	72.0
1988	15.8	73.6	10.7	19,067	50.0
1989	13.7	77.0	9.4	66,300	68.7
1990	12.4	78.2	9.4	48,700	64.3
1991	13.0	73.8	13.2	41,550	56.1
1992	14.1	70.8	15.1	31,170	51.5
1993	15.2	70.9	14.0	25,827	46.7
1994	15.2	70.8	14.0	19,325	36.9
1995	15.4	71.8	12.8	16,576	31.6
1996	21.9	62.9	15.2	12,758	20.0
1997	16.3	68.9	14.8	17,619	22.0
1998	25.0	59.7	15.3	8,752	16.0

Table 23. Percent Recoveries of Non-Passenger Cars and their Condition

Year	% of All Recovered Vehicles			Total No. of Recovered Vehicles	% of Non-Passenger Cars Recovered
	Intact	In-Whole	In-Part		
1987	22.5	59.5	18.0	16,265	60.1
1988	21.1	63.7	15.1	6,866	35.1
1989	16.2	71.1	12.6	25,977	61.4
1990	12.6	75.3	12.1	20,543	59.5
1991	10.1	73.5	16.4	23,831	54.0
1992	11.2	69.2	19.6	20,518	50.9
1993	12.6	68.9	18.5	16,643	46.5
1994	14.6	68.0	17.4	12,132	35.6
1995	14.8	69.5	15.7	10,755	31.1
1996	22.2	60.1	17.7	7,768	18.4
1997	18.9	66.0	15.0	9,945	19.9
1998	27.7	57.0	15.3	5,129	14.0

Since 1989, percentage recoveries for both passenger and non-passenger vehicles has been steadily decreasing and is now less than one-fourth what it was in 1989. The recovery percentages for passenger vehicles are higher than for non-passenger vehicles, for all years shown, however, the difference has decreased from a high of 15 percent to a current difference of 2.0 percent (Tables 22-23). This approximately two percent or less difference has now been maintained for the past eight years.

Table 24 provides the total number of claims and their dollar amounts due to the theft of a motor vehicle (of any age) or its contents for 1987 through 1998.

Table 24. Theft Claims (Including Contents) and Losses for all Vehicles Regardless of Age

Year	Number of Theft Claims	Total Theft Losses
1987	641,202	$1,198,765,423
1988	647,060	$1,381,440,443
1989	617,818	$1,313,950,161
1990	615,438	$1,347,438,803
1991	549,437	$1,331,424,241
1992	505,008	$1,239,233,989
1993	494,300	$1,341,437,721
1994	459,351	$1,321,521,578
1995	424,227	$1,286,777,947
1996	435,244	$1,427,636,912
1997	344,627	$1,059,966,402
1998	363,929	$1,206,713,765

Again, differences in the set of insurers providing this information each year make it difficult to compare data across years and ascertain trends in theft and loss patterns with confidence. Overall, the data suggest that the number of claims experienced by reporting insurers due to the theft of a motor vehicle or its contents has been steadily decreasing from 1987 through 1995 with a slight *increase* in these claims between 1995 and 1996, a further decrease in 1997 and a slight increase in 1998 (Table 24). Correspondingly, the total theft losses increased from 1995 to 1996, decreased from 1996 to 1997 and increased from 1997 to 1998. The number of theft claims decreased by 2.1 percent from 1992 to 1993 while the total theft losses increased by 8.2 percent over this same period. This suggests that the average theft claim was more costly in 1993 than in 1992. From 1993 to 1994, the number of theft claims dropped 7.1 percent while the total theft losses decreased by only 1.5 percent, and from 1994 to 1995 theft claims dropped an additional 7.6 percent while theft losses decreased by 2.6 percent. The1996 data shows a 2.6 percent increase in thefts and a 10.9 percent increase in losses versus 1995. The 1997 data show a 20.8 percent decrease in number of thefts and a 25.8 percent decrease in theft losses. The 1998 data shows a 5.6 percent increase in the number of theft claims and a 12.2 percent increase in theft loss. These more recent results imply that the average theft loss per vehicle continues to increase.

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